

# ORIGINAL NEW APPLICATION



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CORP COMMISSION  
DOCUMENT CONTROL

## BEFORE THE ARIZONA CORPORATION COMMISSION

W-02126A-06-0234

IN THE MATTER OF THE )  
APPLICATION OF AVRA WATER )  
COOP, INC., AN ARIZONA )  
CORPORATION, FOR A )  
DETERMINATION OF THE )  
CURRENT FAIR VALUE OF ITS )  
UTILITY PROPERTY AND FOR AN )  
INCREASE IN ITS WATER RATES )  
AND CHARGES FOR UTILITY )  
SERVICES )

DOCKET NO. W-02126A-06-\_\_\_

### APPLICATION

Avra Water Co-op, Inc., "Avra" or the "Company"), by and through the undersigned counsel, hereby submits a rate increase application and in support of said application states as follows:

1. Avra is a corporation duly organized and existing under the laws of the State of Arizona. Its principal place of business is 11821 Picture Rock Road, Tucson, Arizona 85743.

2. Avra is a public service corporation primarily engaged in the business of providing water utility service in its certificated area in portions of Pima County, Arizona

3. The Company is presently providing service under the rates and charges authorized by the Commission in Decision No. 64008, dated September 4, 2001.

4. The Company hereby requests the Commission grant an increase in its water rates. The specific proposal is contained in the Schedules attached hereto as **Exhibit A** which are incorporated herein for all purposes.

5. The supporting schedules are substantially in the form required by the Commission's Rules and Regulation for rate applications as set forth in AAC R-14-2-103

6. The supporting testimony of the Company's General Manager, Chris Ward, and the Company's rates consultant, Thomas J. Bourassa, are attached hereto as **Exhibits B, and C** respectively and are incorporated herein by this reference for all purposes.


7. The proposed Tariff for water service for the requested increase is appended hereto as **Exhibit D** and incorporated herein by this reference for all purposes. The specific terms and conditions of that Tariff are hereby requested to be approved by the Commission. The Tariff will then be submitted at the conclusion of this matter as a Compliance Filing containing the Commission's mandated changes in Terms and Conditions and the Commission approved Rates and Charges.

8. The Company requests that the Commission issue a Procedural Order setting forth the timetable for processing this Application and also notify the Company of the form of notice it must provide to its customers.

WHEREFORE, the Company respectfully request that the Commission process this Rate Application as expeditiously as practicable, and thereafter issue an order granting the requested relief and such other relief as the Commission may deem appropriate.

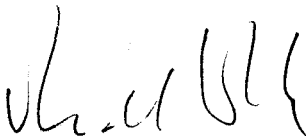
Respectfully submitted this 5<sup>th</sup> day of April 2006.

SALLQUIST, DRUMMOND & O'CONNOR, P.C.

By   
Richard L. Sallquist  
4500 S. Lakeshore Drive, Suite 339  
Tempe, AZ 85282  
Attorneys for Avra Water Co-op, Inc.

1 Original and ten copies of the foregoing  
2 filed this 5<sup>th</sup> day of April 2006,  
3 with:

4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington  
7 Phoenix, Arizona 85007

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF AVRA WATER CO-OP, INC., AN  
ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT  
FAIR VALUE OF ITS UTILITY PLANT  
AND PROPERTY AND FOR INCREASES  
IN ITS RATES AND CHARGES FOR  
UTILITY SERVICE.

DOCKET NO. W02126A-06-

**SUPPORTING EXHIBITS OF  
THOMAS J. BOURASSA  
ON BEHALF OF AVRA WATER CO-OP**

**EXHIBIT A**

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Computation of Increase in Gross Revenue  
Requirements As Adjusted

Exhibit  
Schedule A-1  
Page 1  
Witness: Bourassa

Line

No.

1	Fair Value Rate Base				\$	7,011,440	
2							
3	Adjusted Operating Income					(9,893)	
4							
5	Current Rate of Return					N/A	
6							
7	Required Operating Income	Operating Margin =	19.00%		\$	318,323	
8							
9	Required Rate of Return on Fair Value Rate Base (Operating Margin)					N/A	
10							
11	Operating Income Deficiency				\$	328,217	
12							
13	Gross Revenue Conversion Factor					1.0000	
14							
15	Increase in Gross Revenue						
16	Requirement				\$	328,217	
17							
18	<b>Customer</b>	<b>Present</b>	<b>Proposed</b>		<b>Dollar</b>	<b>Percent</b>	
19	<b>Classification</b>	<b>Rates</b>	<b>Rates</b>		<b>Increase</b>	<b>Increase</b>	
20	<u>(Residential Commercial, Irrigation)</u>						
21	5/8 x 3/4 Inch	\$ 1,219,850	\$ 1,530,111	\$	310,261	25.43%	
22	3/4 Inch	4,589	7,138		2,549	55.55%	
23	1 1/2 Inch	9,140	11,293		2,153	23.56%	
24	1 Inch	14,096	17,827		3,731	26.47%	
25	2 Inch	26,818	34,107		7,289	27.18%	
26	4 Inch	8,119	10,041		1,922	23.67%	
27							
28	Revenue Annualization	1,220	1,520		300	24.59%	
29					-	0.00%	
30	<b>Subtotal</b>	<b>\$ 1,283,832</b>	<b>\$ 1,612,037</b>	<b>\$</b>	<b>328,205</b>	<b>25.56%</b>	
31							
32	Other Water Revenues	59,485	59,485		-	0.00%	
33					-	0.00%	
34					-	0.00%	
35	<b>Total of Water Revenues</b>	<b>\$ 1,343,317</b>	<b>\$ 1,671,522</b>	<b>\$</b>	<b>328,205</b>	<b>24.43%</b>	
36							
37							
38							
39							
40							
41							
42	<u>SUPPORTING SCHEDULES:</u>						
43	B-1						
44	C-1						
45	C-3						
46	H-1						
47							

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Summary of Results of Operations

Exhibit  
Schedule A-2  
Page 1  
Witness: Bourassa

Line No.	Description	Prior Years Ended		Test Year		Projected Year	
		8/31/2003	8/31/2004	Actual 8/31/2005	Adjusted 8/31/2005	Present Rates 8/31/2006	Proposed Rates 8/31/2006
1	Gross Revenues	\$ 1,317,776	\$ 1,348,592	\$ 1,345,950	\$ 1,347,170	\$ 1,347,170	\$ 1,675,387
2							
3	Revenue Deductions and	1,074,139	1,078,778	1,215,569	1,357,063	1,357,063	1,357,063
4	Operating Expenses						
5							
6	Operating Income	\$ 243,637	\$ 269,814	\$ 130,381	\$ (9,893)	\$ (9,893)	\$ 318,323
7							
8	Other Income and	915	88	-	6,674	6,674	6,674
9	Deductions						
10							
11	Interest Expense	(21,414)	(13,832)	(17,495)	(213,741)	(213,741)	(213,741)
12							
13	Net Income	\$ 223,138	\$ 256,070	\$ 112,886	\$ (216,960)	\$ (216,960)	\$ 111,256
14							
15	Earned Per Average						
16	Common Share	0.48	0.56	0.25	(0.47)	(0.47)	0.24
17							
18	Dividends Per						
19	Common Share	-	-	-	-	-	-
20							
21	Payout Ratio	-	-	-	-	-	-
22							
23	Return on Average						
24	Invested Capital	0.85%	5.86%	2.33%	-2.01%	-1.68%	0.86%
25							
26	Return on Year End						
27	Capital	5.34%	5.62%	2.20%	-2.01%	-1.45%	0.74%
28							
29	Return on Average						
30	Membership Equity	11.46%	11.68%	4.73%	-9.79%	-9.29%	4.45%
31							
32	Return on Year End						
33	Membership Equity	10.82%	11.02%	4.62%	-10.29%	-9.74%	4.35%
34							
35	Times Bond Interest Earned						
36	Before Income Taxes	11.38	19.51	7.45	(0.02)	(0.02)	1.52
37							
38	Times Total Interest and						
39	Preferred Dividends Earned						
40	After Income Taxes	11.42	19.51	7.45	0.64	0.64	1.52
41							
42							
43	<u>SUPPORTING SCHEDULES</u>						
44	C-1						
45	E-2						
46	F-1						

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Summary of Capital Structure

Exhibit  
Schedule A-3  
Page 1  
Witness: Bourassa

Line No.		Prior Years Ended		Test Year	Projected Year
	Description:	8/31/2003	8/31/2004	8/31/2005	8/31/2006
1					
2					
3	Short-Term Debt	-	-	-	-
3					
4	Long-Term Debt	293,406	326,919	766,944	5,210,863
5					
6	Total Debt	\$ 293,406	\$ 326,919	\$ 766,944	\$ 5,210,863
7					
8					
9	Preferred Stock	-	-	-	-
10					
11	Membership Equity	2,061,828	2,324,402	2,443,962	2,555,218
12					
13					
14	Total Capital & Debt	\$ 2,355,234	\$ 2,651,321	\$ 3,210,906	\$ 7,766,081
15					
16					
17	Capitalization Ratios:				
18					
19	Long-Term Debt	12.46%	12.33%	23.89%	67.10%
20					
21	Total Debt	12.46%	12.33%	23.89%	67.10%
22					
23					
24	Preferred Stock	-	-	-	-
25					
26	Membership Equity	87.54%	87.67%	76.11%	32.90%
27					
28					
29	Total Capital	100.00%	100.00%	100.00%	100.00%
30					
31					
32	Weighted Cost of				
33	Senior Capital	0.41%	0.40%	0.78%	2.83%
34					
35					
36					
37					
38					
39					
40	<u>SUPPORTING SCHEDULES:</u>				
41	E-1				
42	D-1				



**Avra Water Co-op, Inc.**  
**Test Year Ended August 31, 2005**  
**Construction Expenditures**  
**and Gross Utility Plant in Service**

Exhibit  
Schedule A-4  
Page 1  
Witness: Bourassa

Line No.		Gross Utility Plant in Service B.O.Y.	Construction Expenditures	Net Plant Placed in Service	Gross Utility Plant in Service E.O.Y.
1					
2	Prior Year Ended 12/31/2002	5,827,017	146,630	146,630	5,973,647
3					
4	Prior Year Ended 12/31/2003	5,973,647	126,609	126,609	6,100,256
5					
6	Prior Year Ended 12/31/2004	6,100,256	585,580	585,580	6,685,836
7					
8	Test Year Ended 12/31/2005	6,685,836	934,954	16,082	7,620,790
9					
10	Projected Year Ended 12/31/2006	7,620,790	4,635,000	4,635,000	12,255,790
11					
12					
13					
14					
15	<u>SUPPORTING SCHEDULES:</u>				
16	B-2				
17	E-5				
18	F-3				
19					
20					

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Summary Statements of Cash Flows

Exhibit  
Schedule A-5  
Page 1  
Witness: Bourassa

Line  
No.

	Prior Year Ended 8/31/2003	Prior Year Ended 8/31/2004	Test Year Ended 8/31/2005	Projected Year Present Rates 8/31/2006	Projected Year Proposed Rates 8/31/2006
5 Cash Flows from Operating Activities					
6 Net Income	\$ 229,893	\$ 262,574	\$ 119,560	\$ (216,960)	\$ 111,256
7 Adjustments to reconcile net income to net cash					
8 provided by operating activities:					
9 Depreciation and Amortization	196,573	203,790	223,521	328,927	328,927
10 Deferred Income Taxes	26,279	-	-		
11 Other	330	851	-		
12 Changes in Certain Assets and Liabilities:					
13 Accounts Receivable	(19,651)	4,944	2,973		
14 Materials and Supplies Inventory	3,048	(1,032)	(476)		
15 Prepaid Expenses	(2,397)	1,330	(12,069)		
16 Accounts Payable	1,659	(9,036)	(5,100)		
17 Customer Deposits	-	-	-		
18 Taxes Payable	754	2,498	1,026		
19 Other assets and liabilities	(993)	(9,909)	6,608		
20 Patronage Distributions Received	(2,000)	(922)	-		
21					
22					
23					
24 Net Cash Flow provided by Operating Activities	\$ 433,495	\$ 455,088	\$ 336,043	\$ 111,967	\$ 440,183
25 Cash Flow From Investing Activities:					
26 Capital Expenditures	(186,465)	(718,222)	(960,128)	(4,635,000)	(4,635,000)
27 Proceeds - Investments	-	-	1,089		
28 Construction Contract Credits	(16,157)	(14,296)	(13,278)		
29 Net Cash Flows from Investing Activities	\$ (202,622)	\$ (732,518)	\$ (972,317)	\$ (4,635,000)	\$ (4,635,000)
30 Cash Flow From Financing Activities					
31 Proceeds - Release of Restricted Cash	83,381	96,087	-		
32 Interest Credited to Restricted Cash	(1,926)	(962)	-		
33 Receipts of contributions in aid of construction	34,374	39,375	93,500	-	-
34 Receipts of advances in aid of construction	14,089	137,624	-	-	-
35 Receipts of Meter Advances	8,260	13,335	-	-	-
36 Receipts of Customer Security Deposits	24,349	26,646	27,778	-	-
37 Long-term Debt Borrowing	-	285,199	582,610	(11,000)	(11,000)
38 Repayments of Long-Term Debt	(107,214)	(251,686)	(142,585)	-	-
39 Refunds of Customer Security Deposits	(17,516)	(34,163)	(27,924)		
40 Refunds of advances in aid of construction	(22,260)	(14,714)	(13,381)		
41 Refunds of Meter Advances	(21,710)	(28,770)	(29,241)		
42 Net Cash Flows Provided by Financing Activities	\$ (6,173)	\$ 267,971	\$ 490,757	\$ (11,000)	\$ (11,000)
43 Increase(decrease) in Cash and Cash Equivalents	224,700	(9,459)	(145,517)	(4,534,033)	(4,205,817)
44 Cash and Cash Equivalents at Beginning of Year	516,888	741,588	732,129	586,612	586,612
45 Cash and Cash Equivalents at End of Year	\$ 741,588	\$ 732,129	\$ 586,612	\$ (3,947,421)	\$ (3,619,204)
46 SUPPORTING SCHEDULES:					
47 E-3					
48 F-2					
49					

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Summary of Rate Base

Exhibit  
Schedule B-1  
Page 1  
Witness: Bourassa

Line No.		Original Cost Rate base	Fair Value Rate Base
1			
2	Gross Utility Plant in Service	\$ 13,072,425	\$ 13,072,425
3	Less: Accumulated Depreciation	3,062,037	3,062,037
4			
5	Net Utility Plant in Service	\$ 10,010,388	\$ 10,010,388
6			
7	<u>Less:</u>		
8	Advances in Aid of		
9	Construction	798,549	798,549
10	Contributions in Aid of		
11	Construction - Net of amortization	2,309,080	2,309,080
12	Customer Meter Deposits	45,636	45,636
13	Deferred Income Taxes & Credits	-	-
14	Investment tax Credits	-	-
15			
16			
17	<u>Plus:</u>		
18	Unamortized Finance		
19	Charges	-	-
20	Deferred Tax Assets	-	-
21	Material and Supplies Inventories	28,755	28,755
22	Prepayments	23,423	23,423
23	Allowance for Working Capital	102,138	102,138
24			
25			
26	Total Rate Base	<u>\$ 7,011,440</u>	<u>\$ 7,011,440</u>
27			
28			
29			
30	<u>SUPPORTING SCHEDULES:</u>		
31	B-2		
32	B-3		
33	B-5		
34	E-1		
35			

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Original Cost Rate Base Proforma Adjustments

Exhibit  
Schedule B-2  
Page 1  
Witness: Bourassa

Line No.		Actual at End of Test Year	Proforma Label	Adjustments Amount	Adjusted at end of Test Year
1	Gross Utility				
2	Plant in Service	\$ 7,620,789	2	5,857,411	\$ 13,072,425
3			4a	(405,775)	
4	<b>Less:</b>				
5	Accumulated				
6	Depreciation	3,557,581	1	(89,769)	3,062,037
7			4b	(405,775)	
8					
9	Net Utility Plant				
10	in Service	\$ 4,063,209			\$ 10,010,388
11					
12	<b>Less:</b>				
13	Advances in Aid of				
14	Construction	798,549			798,549
15					
16	Contributions in Aid of				
17	Construction - Net	943,330	3	1,365,750	2,309,080
18					
19	Customer Refundable Meter Deposits	45,636			45,636
20					
21					
22		-			-
23					
24	<b>Plus:</b>				
25	Unamortized Finance				
26	Charges	-			-
27	Deferred Tax Assets	-			-
28	Material and Supplies Inventories	28,755			28,755
29	Prepayments	23,423			23,423
30	Working capital	-	5	102,138	102,138
31		-			-
32					
33	Total	<u>\$ 2,327,872</u>			<u>\$ 7,011,440</u>

37 SUPPORTING SCHEDULES:  
38 B-2, pages 2  
39 E-1  
40  
41  
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RECAP SCHEDULES:  
B-1

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Original Cost Rate Base Proforma Adjustments  
Adjustment 1

Exhibit  
Schedule B-2  
Page 2  
Witness: Bourassa

Line

No.

1	<u>Accumulated Depreciation Adjustment</u>	
2		
3	Computed Balance	\$ 3,467,812
4	Balance per Company Schedule E-1	3,557,581
5	Difference	<u>\$ (89,769)</u>
6		
7		
8		
9		
10		
11	Increase (Decrease) to Accumulated Depreciation	<u>\$ (89,769)</u>
12		
13		
14		
15	<u>SUPPORTING SCHEDULES</u>	
16	B-2, pages 2a-3e	
17		
18		
19		
20		

[illegible]

**Avra Water Co-op, Inc.**  
**Plant Additions and Retirements**

Rebuttal Exhibit  
Schedule B-2  
Page 3b  
Witness: Bourassa

Account No.	Description	2001 Plant Additions	2001 Plant Adjustments	2001 Adjusted Plant Additions	2001 Plant Retirements	August 31, 2001	
						Plant Balance	2001 Deprec.
301	Organization Cost			-		8,685	-
302	Franchise Cost			-		-	-
303	Land and Land Rights			-		85,226	-
304	Structures and Improvements			-		169,449	8,472
305	Collecting and Impounding Res.			-		-	-
306	Lake River and Other Intakes			-		-	-
307	Wells and Springs	20,647	254,631 *	275,278		878,112	43,389
308	Infiltration Galleries and Tunnels			-		-	-
309	Supply Mains			-		-	-
310	Power Generation Equipment			-		-	-
311	Electric Pumping Equipment	4,145		4,145		325,174	16,155
320	Water Treatment Equipment			-		6,387	319
330	Distribution Reservoirs & Standpipe	94,390		94,390		833,703	39,325
331	Transmission and Distribution Mains	72,054	(19,095) **	52,960		2,567,853	126,591
333	Services	9,909		9,909		441,678	21,836
334	Meters	6,966		6,966		184,735	9,063
335	Hydrants	14,808		14,808		18,791	569
336	Backflow Prevention Devices			-		-	-
339	Other Plant and Miscellaneous Equipment			-		-	-
340	Office Furniture and Fixtures	20,185		20,185		134,308	6,211
341	Transportation Equipment			-		105,879	5,294
342	Stores Equipment			-		-	-
343	Tools and Work Equipment			-		67,038	3,352
344	Laboratory Equipment			-		-	-
345	Power Operated Equipment			-		-	-
346	Communications Equipment			-		-	-
347	Miscellaneous Equipment			-		-	-
348	Other Tangible Plant			-		-	-
	Plant Held for Future Use			-		-	-
	<b>TOTAL WATER PLANT</b>	<b>243,105</b>	<b>235,536</b>	<b>478,641</b>	<b>-</b>	<b>5,827,017</b>	<b>280,578</b>

**Depreciation**

(a) Staff Accumulated Depreciation Allocated to Plant.

Retirements (excluding land)

Accumulated Depreciation Balance

Half Year Convention used on depreciation

\* MUSD AIAC Addition. Adjusted A/D for 4.5 years of depreciation totaling \$ 57,292

\*\* AIAC audit adjustment. Adjusted A/D by 1/2 year of depreciation totaling \$ (477)

2,654,010 (incl. adjust)

**Avra Water Co-op, Inc.**  
**Plant Additions and Retirements**

Rebuttal Exhibit  
Schedule B-2  
Page 3c  
Witness: Bourassa

Account		2002	2002	2002	2002	August 31,	2002	2002
No.	Description	Plant	Plant	Adjusted Plant	Retirements	Balance	Plant	Deprec.
		Additions	Adjustments	Additions				
301	Organization Cost	-	-	-	-	8,885	-	-
302	Franchise Cost	-	-	-	-	-	-	-
303	Land and Land Rights	-	-	-	-	85,226	-	-
304	Structures and Improvements	6,460	-	6,460	-	175,909	5,750	-
305	Collecting and Impounding Res.	126	-	126	-	126	1	-
306	Lake River and Other Intakes	-	-	-	-	-	-	-
307	Wells and Springs	18,282	-	18,282	(79,536)	816,857	28,221	-
308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-
309	Supply Mains	-	-	-	-	-	-	-
310	Power Generation Equipment	-	-	-	-	-	-	-
311	Electric Pumping Equipment	70,912	-	70,912	(33,346)	362,740	42,995	-
320	Water Treatment Equipment	414	-	414	-	6,801	1,319	-
330	Distribution Reservoirs & Standpipe	24,583	-	24,583	-	858,287	18,781	-
331	Transmission and Distribution Mains	92,444	-	92,444	-	2,660,297	52,281	-
333	Services	9,327	-	9,327	-	451,005	14,863	-
334	Meters	9,113	-	9,113	-	193,848	15,768	-
335	Hydramts	3,035	-	3,035	-	21,825	406	-
336	Backflow Prevention Devices	-	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-	-
340	Office Furniture and Fixtures	-	(2,037)	(2,037)	-	132,271	8,890	-
341	Transportation Equipment	5,951	-	5,951	-	111,830	21,771	-
342	Stores Equipment	-	-	-	-	-	-	-
343	Tools and Work Equipment	20,756	-	20,756	-	87,794	3,871	-
344	Laboratory Equipment	-	-	-	-	-	-	-
345	Power Operated Equipment	-	-	-	-	-	-	-
346	Communications Equipment	145	-	145	-	145	4	-
347	Miscellaneous Equipment	-	-	-	-	-	-	-
348	Other Tangible Plant	-	-	-	-	-	-	-
	Plant Held for Future Use	-	-	-	-	-	-	-
	<b>TOTAL WATER PLANT</b>	<b>261,550</b>	<b>(2,037)</b>	<b>259,513</b>	<b>(112,883)</b>	<b>5,973,647</b>	<b>214,922</b>	<b>214,922</b>
Depreciation						214,922		
(a)	Staff Accumulated Depreciation Allocated to Plant.							
	Retirements (excluding land)					(112,883)		
	Accumulated Depreciation Balance					2,756,049		
	Half Year Convention used on depreciation							



Avra Water Co-op, Inc.  
Plant Additions and Retirements

Rebuttal Exhibit  
Schedule B-2  
Page 3d  
Witness: Bourassa

Account	No.	Description	2003 Plant Additions	2003 Plant Adjustments	2003 Adjusted Plant Additions	2003 Plant Retirements	August 31, 2003 Plant Balance	2003 Deprec.
	301	Organization Cost					8,685	-
	302	Franchise Cost					-	-
	303	Land and Land Rights					85,226	-
	304	Structures and Improvements	9,024		9,024		184,933	6,008
	305	Collecting and Impounding Res.	-		-		126	3
	306	Lake River and Other Intakes					-	-
	307	Wells and Springs	18,045		18,045		834,902	27,502
	308	Infiltration Galleries and Tunnels					-	-
	309	Supply Mains					-	-
	310	Power Generation Equipment					-	-
	311	Electric Pumping Equipment	9,318		9,318		372,058	45,925
	320	Water Treatment Equipment	2,533		2,533		9,335	1,614
	330	Distribution Reservoirs & Standpipe	15,227		15,227		873,514	19,223
	331	Transmission and Distribution Mains	23,072		23,072		2,683,368	53,437
	333	Services	7,807		7,807		458,812	15,148
	334	Meters	3,685		3,685		197,533	16,301
	335	Hydrants	1,337		1,337		23,162	450
	336	Backflow Prevention Devices					-	-
	339	Other Plant and Miscellaneous Equipment					-	-
	340	Office Furniture and Fixtures	1,445		1,445		133,716	8,871
	341	Transportation Equipment	-		-		111,830	22,366
	342	Stores Equipment					-	-
	343	Tools and Work Equipment	7,187		7,187		94,982	4,569
	344	Laboratory Equipment					-	-
	345	Power Operated Equipment					-	-
	346	Communications Equipment	27,929		27,929		28,074	705
	347	Miscellaneous Equipment					-	-
	348	Other Tangible Plant					-	-
		Plant Held for Future Use					-	-
		TOTAL WATER PLANT	126,609	-	126,609	-	6,100,256	222,122
		Depreciation					222,122	
(a)		Staff Accumulated Depreciation Allocated to Plant.						
		Retirements (excluding land)					-	
		Accumulated Depreciation Balance					2,978,171	
		Half Year Convention used on depreciation						

Avra Water Co-op, Inc.  
Plant Additions and Retirements

Rebuttal Exhibit  
Schedule B-2  
Page 3e  
Witness: Bourassa

Account No.	Description	2004 Plant Additions	2004 Plant Adjustments	2004 Adjusted Plant Additions	2004 Plant Retirements	August 31, 2004 Plant Balance	2004 Deprec.
301	Organization Cost			-		8,685	-
302	Franchise Cost			-		-	-
303	Land and Land Rights			20,862		106,087	-
304	Structures and Improvements	20,862		6,989		191,922	6,275
305	Collecting and Impounding Res.	28,292		28,292		28,418	317
306	Lake River and Other Intakes			-		-	-
307	Wells and Springs	54,410		54,410		889,312	28,708
308	Infiltration Galleries and Tunnels			-		-	-
309	Supply Mains			-		-	-
310	Power Generation Equipment			-		-	-
311	Electric Pumping Equipment	6,577		6,577		378,635	46,918
320	Water Treatment Equipment			-		9,335	1,867
330	Distribution Reservoirs & Standpipe	236,684		236,684		1,110,199	22,019
331	Transmission and Distribution Mains	222,579	(19,306)	203,273		2,886,641	55,700
333	Services	6,778		6,778		465,590	15,391
334	Meters	8,831		8,831		206,363	16,822
335	Hydrants			-		23,162	463
336	Backflow Prevention Devices			-		-	-
339	Other Plant and Miscellaneous Equipment			-		-	-
340	Office Furniture and Fixtures	4,314		4,314		138,030	9,063
341	Transportation Equipment	1,387		1,387		113,217	22,505
342	Stores Equipment			-		-	-
343	Tools and Work Equipment	7,184		7,184		102,166	4,929
344	Laboratory Equipment			-		-	-
345	Power Operated Equipment			-		-	-
346	Communications Equipment			-		28,074	1,404
347	Miscellaneous Equipment			-		-	-
348	Other Tangible Plant			-		-	-
	Plant Held for Future Use			-		-	-
	<b>TOTAL WATER PLANT</b>	<b>604,886</b>	<b>(19,306)</b>	<b>585,580</b>	<b>-</b>	<b>6,685,836</b>	<b>232,381</b>
	Depreciation					<b>232,381</b>	
(a)	Staff Accumulated Depreciation Allocated to Plant.						
	Retirements (excluding land)						
	Accumulated Depreciation Balance						<b>3,210,552</b>
	Half Year Convention used on depreciation						

Account		August 31, 2005				2005	
No.	Description	2005 Plant Additions	2005 Plant Adjustments	2005 Adjusted Plant Additions	2005 Plant Retirements	2005 Plant Balance	2005 Deprec.
301	Organization Cost			-		8,685	-
302	Franchise Cost			-		-	-
303	Land and Land Rights	6,938		6,938		113,026	-
304	Structures and Improvements	16,995		16,995		208,917	6,674
305	Collecting and Impounding Res.	8,531		8,531		36,949	726
306	Lake River and Other Intakes			-		-	-
307	Wells and Springs	529,470		529,470		1,418,783	38,430
308	Infiltration Galleries and Tunnels			-		-	-
309	Supply Mains			-		-	-
310	Power Generation Equipment			-		-	-
311	Electric Pumping Equipment	39,160		39,160		417,795	49,777
320	Water Treatment Equipment			-		9,335	1,867
330	Distribution Reservoirs & Standpipe	500		500		1,110,699	24,652
331	Transmission and Distribution Mains	211,239	19,306	230,545		3,117,186	60,038
333	Services	5,567		5,567		471,158	15,597
334	Meters	60,379		60,379		266,742	19,705
335	Hydrants	4,082		4,082		27,244	504
336	Backflow Prevention Devices			-		-	-
339	Other Plant and Miscellaneous Equipment			-		-	-
340	Office Furniture and Fixtures	13,090		13,090		151,120	9,643
341	Transportation Equipment			-		113,217	22,643
342	Stores Equipment			-		-	-
343	Tools and Work Equipment	6,115		6,115		108,281	5,261
344	Laboratory Equipment			-		-	-
345	Power Operated Equipment			-		-	-
346	Communications Equipment			-		-	-
347	Miscellaneous Equipment	13,582		13,582		41,656	1,743
348	Other Tangible Plant			-		-	-
	Plant Held for Future Use			-		-	-
	<b>TOTAL WATER PLANT</b>	<b>915,648</b>	<b>19,306</b>	<b>934,954</b>	<b>-</b>	<b>7,620,790</b>	<b>257,260</b>
	Depreciation					257,260	
(a)	Staff Accumulated Depreciation Allocated to Plant:						
	Retirements (excluding land)					-	
	Accumulated Depreciation Balance					3,467,812	
	Half Year Convention used on depreciation						

Avra Water Co-op, Inc.  
Plant Additions and Retirements

Rebuttal Exhibit  
Schedule B-2  
Page 3g  
Witness: Bourassa

Account No.	Description	Year End Accumulated Depreciation by Account					
		Aug-00					
		1999	2000	2001	2002	2003	2004
301	Organization Cost	-	-	-	-	-	-
302	Franchise Cost	-	-	-	-	-	-
303	Land and Land Rights	-	-	-	-	-	-
304	Structures and Improvements	59,249	67,173	75,845	81,395	87,403	93,678
305	Collecting and Impounding Res.	-	-	-	1	4	321
306	Lake River and Other Intakes	-	-	-	-	-	-
307	Wells and Springs	236,425	266,211	366,892 *	315,577	343,079	371,787
308	Infiltration Galleries and Tunnels	-	-	-	-	-	-
309	Supply Mains	-	-	-	-	-	-
310	Power Generation Equipment	-	-	-	-	-	-
311	Electric Pumping Equipment	128,377	144,393	160,548	170,196	216,121	263,039
320	Water Treatment Equipment	2,475	2,789	3,108	4,427	6,041	7,907
330	Distribution Reservoirs & Standpipe	296,963	333,929	373,254	392,035	411,258	433,277
331	Transmission and Distribution Mains	983,275	1,107,346	1,233,459 *	1,285,741	1,339,178	1,394,878
333	Services	166,694	187,864	209,700	224,563	239,711	255,103
334	Meters	70,455	79,285	88,347	104,115	120,416	137,238
335	Hydrants	-	100	669	1,075	1,525	1,988
336	Backflow Prevention Devices	-	-	-	-	-	-
339	Other Plant and Miscellaneous Equipment	-	-	-	-	-	-
340	Office Furniture and Fixtures	44,190	49,793	56,004	64,894	73,765	82,828
341	Transportation Equipment	42,529	47,823	53,117	74,888	97,254	119,758
342	Stores Equipment	-	-	-	-	-	-
343	Tools and Work Equipment	26,584	29,915	33,267	37,138	41,707	46,636
344	Laboratory Equipment	-	-	-	-	-	-
345	Power Operated Equipment	-	-	-	-	-	-
346	Communications Equipment	-	-	-	4	709	2,113
347	Miscellaneous Equipment	-	-	-	-	-	-
348	Other Tangible Plant	-	-	-	-	-	-
	Plant Held for Future Use	-	-	-	-	-	-
	TOTAL WATER PLANT	2,057,216	2,316,618	2,654,010	2,756,049	2,978,171	3,210,552
	Depreciation						
(a)	Staff Accumulated Depreciation Allocated to Plant.						
	Retirements (excluding land)						
	Accumulated Depreciation Balance						
	Half Year Convention used on depreciation						

\* See adjustments on B-2, page 3b

Depreciation

Retirements (excluding land)

Accumulated Depreciation Balance

Half Year Convention used on depreciation

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Original Cost Rate Base Proforma Adjustments  
Adjustment 2

Exhibit  
Schedule B-2  
Page 3  
Witness: Bourassa

Line

No.

1	<u>Post Test Year Plant</u>	
2		
3	Post Test Year Plant per C-2 Page 2	\$ 5,857,411
4		
5		
6		
7		
8		
9	Increase (Decrease) to Plant in Service	<u>\$ 5,857,411</u>
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Original Cost Rate Base Proforma Adjustments  
Adjustment 3

Exhibit  
Schedule B-2  
Page 4  
Witness: Bourassa

Line

No.

1	<u>Rural Development Grqnts Treated as Constributions in Aid of Construction</u>		
2			
3	Rural Development Grant #1 COLONIA Grant	\$	1,000,000
4	Rural Development Grant #1 RUS Grant		365,750
5			
6			
7	Total		
8			
9			
10	Increase (Decrease) to CIAC	\$	<u>1,365,750</u>
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Original Cost Rate Base Proforma Adjustments  
Adjustment 4

Exhibit  
Schedule B-2  
Page 5  
Witness: Bourassa

Line

No.

1 Retire Wells Replaced by Post Test Year Plant Replacement Wells

2

3 Description      NARUC

4 Well #1      307      Wells      \$      12,103

5      311      Pump Equip.      2,011

6 Well #2      307      Wells      9,249

7      311      Pump Equip.      1,762

8 Well #6      307      Wells      23,279

9      311      Pump Equip.      4,285

10 Well #7      307      Wells      86,837

11      311      Pump Equip.      10,519

12 Well #8      307      Wells      117,871

13      311      Pump Equip.      11,659

14 Well #9      307      Wells      112,918

15      311      Pump Equip.      13,282

405,775

16

17

18

19

20

21

22

23

24

25

26

27

28

29

Total

Increase (Decrease) to Plant-in-Service

\$      (405,775) Label 4a

Increase (Decrease) to Accumulated Depreciation

\$      (405,775) 4b

Total for Wells Acct No. 307      \$      362,257

Total for Pumping Equip Acct No. 311      \$      43,519

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Computation of Working Capital

Exhibit  
Schedule B-5  
Page 1  
Witness: Bourassa

Line  
No.

1	Cash Working Capital (1/8 of Allowance		
2	Operation and Maintenance Expense)	\$	95,533
3	Pumping Power (1/24 of Pumping Power)		6,605
4	Purchased Water (1/24 of Purchased Water)		-

5

6

7

8

9	Total Working Capital Allowance	<u>\$</u>	<u>102,138</u>
---	---------------------------------	-----------	----------------

10

11

12	Working Capital Requested	<u>\$</u>	<u>102,138</u>
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13

14

15 SUPPORTING SCHEDULES:

16 E-1

17

RECAP SCHEDULES:

B-1



**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Income Statement

Exhibit  
Schedule C-1  
Page 1  
Witness: Bourassa

Line No.		Test Year Book Results	Label	Adjustment	Test Year Adjusted Results	Proposed Rate Increase	Adjusted with Rate Increase
1	<b>Revenues</b>						
2	Metered Water Revenues	\$ 1,286,465	4	\$ 1,220	\$ 1,287,685	\$ 328,217	\$ 1,615,902
3	Unmetered Water Revenues	-			-		-
4	Other Water Revenues	59,485			59,485		59,485
5		<u>\$ 1,345,950</u>		<u>\$ 1,220</u>	<u>\$ 1,347,170</u>	<u>\$ 328,217</u>	<u>\$ 1,675,387</u>
6	<b>Operating Expenses</b>						
7	Salaries and Wages	\$ 349,611			\$ 349,611		\$ 349,611
8	Employee Pensions and Benefits	62,091			62,091		62,091
9	Purchased Water	-			-		-
10	Purchased Power	151,149	6/7	7,366	158,515		158,515
11	Chemicals	4,529			4,529		4,529
12	Material and Supplies	28,442			28,442		28,442
13	Office Supplies and Expense	-			-		-
14	Contractual Services - Engineering	5,602			5,602		5,602
15	Contractual Services - Accounting	36,017			36,017		36,017
16	Contractual Services - Legal	13,246			13,246		13,246
17	Contractual Services - Other	44,697			44,697		44,697
18	Water Testing	8,609			8,609		8,609
19	Rents	11,864			11,864		11,864
20	Transportation Expenses	67,841			67,841		67,841
21	Insurance - Vehicle	7,050			7,050		7,050
22	Insurance - General Liability	2,169			2,169		2,169
23	Insurance - Workers Comp.	3,648			3,648		3,648
24	Insurance - Other	6,017			6,017		6,017
25	Regulatory Commission Expense - Rate Case	-	3	25,000	25,000		25,000
26	Advertising Expense	2,447			2,447		2,447
27	Water Resource Conservation	2,340			2,340		2,340
28	Bad Debt Expense	3,782			3,782		3,782
29	Miscellaneous Expense	48,440			48,440		48,440
30	Depreciation Expense	223,521	1	105,406	328,927		328,927
31	Taxes Other Than Income	30,823			30,823		30,823
32	Property Taxes	101,634	2	3,722	105,356		105,356
33	Income Tax	-			-		-
34					-		-
35	<b>Total Operating Expenses</b>	<u>\$ 1,215,569</u>		<u>\$ 141,494</u>	<u>\$ 1,357,063</u>	<u>\$ -</u>	<u>\$ 1,357,063</u>
36	<b>Operating Income</b>	<u>\$ 130,381</u>		<u>\$ (140,274)</u>	<u>\$ (9,893)</u>	<u>\$ 328,217</u>	<u>\$ 318,323</u>
37	<b>Other Income (Expense)</b>						
38	Interest Income	6,674			6,674		6,674
39	Other income	-			-		-
40	Interest Expense	(17,495)	5	(196,246)	(213,741)		(213,741)
41	Other Expense	-			-		-
42					-		-
43	<b>Total Other Income (Expense)</b>	<u>\$ (10,821)</u>		<u>\$ (196,246)</u>	<u>\$ (207,067)</u>	<u>\$ -</u>	<u>\$ (207,067)</u>
44	<b>Net Profit (Loss)</b>	<u>\$ 119,560</u>		<u>\$ (336,520)</u>	<u>\$ (216,960)</u>	<u>\$ 328,217</u>	<u>\$ 111,256</u>
45	<u>SUPPORTING SCHEDULES:</u>					<u>RECAP SCHEDULES:</u>	
46	C-2					A-1	
47	E-2						
48							
49							

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Adjustments to Revenues and Expenses

Exhibit  
Schedule C-2  
Page 1  
Witness: Bourassa

Line No.	<u>Adjustments to Revenues and Expenses</u>						
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	
	Depreciation	Property	Rate Case	Revenue	Interest	Purchased Power	
	Expense	Taxes	Expense	Annualization	Expense	Increase	Subtotal
1				1,220			1,220
2							
3	Revenues						
4							
5	Expenses	105,406	3,722	25,000		7,264	141,392
6							
7	Operating						
8	Income	(105,406)	(3,722)	(25,000)	1,220	(7,264)	(140,172)
9							
10	Interest						
11	Expense				(196,246)		(196,246)
12	Other						
13	Income /						
14	Expense						
15							
16	Net Income	(105,406)	(3,722)	(25,000)	1,220	(196,246)	(7,264)
17							(336,418)
18							
19	<u>Adjustments to Revenues and Expenses</u>						
20	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	
21	Annualize						
22	Purchased Power						Subtotal
23	Revenues						1,220
24							
25	Expenses	103	-				141,494
26							
27	Operating						
28	Income	(103)	-	-	-	-	(140,274)
29							
30	Interest						
31	Expense						(196,246)
32	Other						
33	Income /						
34	Expense						
35							
36	Net Income	(103)	-	-	-	-	(336,520)
37							
38							
39	<u>Adjustments to Revenues and Expenses</u>						
40	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	<u>18</u>	
41							
42							Total
43	Revenues						1,220
44							
45	Expenses						141,494
46							
47	Operating						
48	Income	-	-	-	-	-	(140,274)
49							
50	Interest						
51	Expense						(196,246)
52	Other						
53	Income /						
54	Expense						
55							
56	Net Income	-	-	-	-	-	(336,520)

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Adjustments to Revenues and Expenses  
Adjustment Number 1

Exhibit  
Schedule C-2  
Page 2  
Witness: Bourassa

Line

No.	Account	Description	Original Cost	Proposed Rate	Depreciation Expense
1	Depreciation Expense				
2					
3					
4					
5	301	Organization Cost	8,685	0.00%	-
6	302	Franchise Cost	-	0.00%	-
7	303	Land and Land Rights	113,026	0.00%	-
8	304	Structures and Improvements	208,917	3.33%	6,957
9	305	Collecting and Impounding Res.	36,949	2.22%	820
10	306	Lake River and Other Intakes	-	2.50%	-
11	307	Wells and Springs	1,418,783	3.33%	47,245
12	308	Infiltration Galleries and Tunnels	-	6.67%	-
13	309	Supply Mains	-	2.00%	-
14	310	Power Generation Equipment	-	5.00%	-
15	311	Electric Pumping Equipment	417,795	12.50%	52,224
16	320	Water Treatment Equipment	9,335	3.33%	311
17	330	Distribution Reservoirs & Standpipe	1,110,699	2.22%	24,658
18	331	Transmission and Distribution Mains	3,117,186	2.00%	62,344
19	333	Services	471,158	3.33%	15,690
20	334	Meters	266,742	8.33%	22,220
21	335	Hydrants	27,244	2.00%	545
22	336	Backflow Prevention Devices	-	6.67%	-
23	339	Other Plant and Miscellaneous Equipment	-	6.67%	-
24	340	Office Furniture and Fixtures	151,120	6.67%	10,080
25	341	Transportation Equipment	113,217	20.00%	22,643
26	342	Stores Equipment	-	4.00%	-
27	343	Tools and Work Equipment	108,281	5.00%	5,414
28	344	Laboratory Equipment	-	10.00%	-
29	345	Power Operated Equipment	-	5.00%	-
30	346	Communications Equipment	41,656	10.00%	4,166
31	347	Miscellaneous Equipment	-	10.00%	-
32	348	Other Tangible Plant	-	10.00%	-
33					
34		TOTALS	\$ 7,620,790		\$ 275,316
35					
36	<u>Post Test Year Plant per B-2</u>				
37	WIFA #2 Funded				
38	303	Land and Land Rights	93,669	0.00%	-
39	304	Structures and Improvements	-		
40	305	Collecting and Impounding Res.	325,242	2.22%	7,220
41	307	Wells and Springs	360,000	3.33%	11,988
42	311	Electric Pumping Equipment	300,000	12.50%	37,500
43	331	Transmission and Distribution Mains	-	2.00%	-
44					
45			\$ 1,078,911		56,708
46	RD Loan # 1 / Grant Funded				
47	331	Transmission and Distribution Mains	2,985,000	2.00%	59,700
48	311	Electric Pumping Equipment	50,000	12.50%	6,250
49					
50					
51			\$ 3,035,000		65,950
52	RD Loan # 2 / Grant Funded				
53	305	Collecting and Impounding Res.	-	2.22%	-
54	307	Wells and Springs	1,438,500	3.33%	47,902
55	320	Water Treatment Equipment	-	5.00%	-
56	331	Transmission and Distribution Mains	305,000	2.00%	6,100
57			\$ 1,743,500		54,002
58					
59	Total PTY Plant				
60			\$ 5,857,411		\$ 176,660
61	Retirements				
62	307	Wells and Springs	\$ (362,257)	3.33%	(12,063)
63	311	Electric Pumping Equipment	\$ (43,519)	12.50%	(5,440)
64					
65	Total Plant				
66			\$ 13,072,426		
67	Less: Amortization of Contributions - Balance End of TY				
68		Amortization of Contributions - RD # 1 Grants	\$ 1,686,943	3.46%	\$ (58,326)
69			1,365,750	3.46%	(47,221)
70	Total Contributions				
71			\$ 3,052,693		
72	Total Depreciation Expense				
73					\$ 328,927
74	Test Year Depreciation Expense				
75					223,521
76	Increase (decrease) in Depreciation Expense				
					105,406

77 Adjustment to Revenues and/or Expenses

\$ 105,406

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Adjustment to Revenues and Expenses  
Adjustment Number 2

Exhibit  
Schedule C-2  
Page 3  
Witness: Bourassa

Line No.		
1	<u>Adjust Property Taxes to Reflect Proposed Revenues:</u>	
2		
3	Adjusted Revenues in year ended 08/31/05	\$ 1,347,170
4	Adjusted Revenues in year ended 08/31/05	1,347,170
5	Proposed Revenues	<u>1,675,387</u>
6	Average of three year's of revenue	\$ 1,456,576
7	Average of three year's of revenue, times 2	\$ 2,913,151
8	Add:	
9	Construction Work in Progress at 10%	\$ -
10	Deduct:	
11	Book Value of Transportation Equipment	<u>113,217</u>
12		
13	Full Cash Value	\$ 2,799,934
14	Assessment Ratio	<u>23.50%</u>
15	Assessed Value	657,985
16	Property Tax Rate	15.9722%
17		
18	Property Tax	105,094
19	Tax on Parcels	261
20		
21	Total Property Tax at Proposed Rates	\$ 105,356
22	Property Taxes in the test year	<u>101,634</u>
23	Change in Property Taxes	<u>\$ 3,722</u>
24		
25		
26	Adjustment to Revenues and/or Expenses	<u>\$ 3,722</u>
27		
28		

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
ADJUSTMENTS TO REVENUES AND/OR EXPENSES  
Adjustment Number 3

Exhibit  
Schedule C-2  
Page 4  
Witness: Bourassa

Line

No.

1	<u>Rate Case Expense</u>		
2			
3	Estimated Rate Case Expense	\$	75,000
4			
5	Estimated Amortization Period in Years		3
6			
7	Annual Rate Case Expense	\$	<u>25,000</u>
8			
9	Test Year Rate Case Expense	\$	-
10			
11	Increase(decrease) Rate Case Expense	\$	<u>25,000</u>
12			
13	Adjustment to Revenue and/or Expense	\$	<u>25,000</u>
14			
15			
16			
17			
18			
19			
20			

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Adjustment to Revenues and Expenses  
Adjustment Number 4

Exhibit  
Schedule C-2  
Page 5  
Witness: Bourassa

Line

No.

1 Revenue Annualization

2

3

4 Revenue Annualization

\$ 1,220

5

6

7

8 Total Revenue from Annualization

\$ 1,220

9

10

11 Adjustment to Revenue and/or Expense

\$ 1,220

12

13 SUPPORTING SCHEDULES

14 C-2 pages 5a to 5c

15 H-1

16

17

18

19

20

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Adjustment to Revenues and Expenses  
Adjustment Number 5

Exhibit  
Schedule C-2  
Page 6  
Witness: Bourassa

Line

No.

1	<u>Projected Interest Expense</u>	
2		
3		
4	WIFA Loan #1	\$ 2,354
5	WIFA Loan #2	50,318
6	Rural Development Loan #1	78,782
7	Rural Development Loan #2	<u>82,286</u>
8	Total	\$ <u>213,741</u>
9		
10	Test Year Interest Expense	\$ <u>17,495</u>
11		
12	Increase (decrease) in Interest Expense	\$ 196,246
13		
14		
15		
16	Adjustment to Revenue and/or Expense	<u>\$ 196,246</u>
17		
18		
19	<u>SUPPORTING SCHEDULES</u>	
20	D-2, page 2	
21		
22		
23		
24		
25		



Avra Water Co-op, Inc.  
Test Year Ended December 31, 2001  
Adjustment to Revenues and Expenses  
Adjustment Number 6

Exhibit  
Schedule C-2  
Page 7  
Witness: Bourassa

Line

No.

1 Increase Purchased Power Due to Rate Increase from Trico Electric

2

3	Rate Code	Account	Old Rates	New Rates	
4	GS3-3	34000	\$ 14,681	\$ 15,471	
5	GS3-3	597800	17,913	18,852	
6	WP1-3	34600	6,608	6,895	
7	WP1-3	34500	17,462	18,129	
8	RS1	34300	2,264	2,325	
9	GS3-3	34100	12,182	12,800	
10	GS3-3	2499001	6,977	7,359	
11	GS2-3	2625900	6,540	6,877	
12	GS3-3	2454500	22,809	23,959	
13	RS1	2940600	1,504	1,564	
14	GS3-3	33400	10,383	10,947	
15	WP1-3	33600	30,714	31,850	
16	GS1-3	3599900	1,791	1,900	
17	RS1	33700	190	241	
18	GS1-3	2212500	1,294	1,405	Difference
19			<u>153,310</u>	<u>160,574</u>	\$ 7,264

20

21

22

23

24 Adjustment to Revenue and/or Expense \$ 7,264

25

26

27

Avra Water Co-op, Inc.  
Test Year Ended December 31, 2001  
Adjustment to Revenues and Expenses  
Adjustment Number 7

Exhibit  
Schedule C-2  
Page 8  
Witness: Bourassa

Line

No.

1	<u>Annualize power cost for additional gallons from annualization of revenues</u>	
2		
3	Test Year Power Costs Annualized for Trico Rate Increase (See Adjustmet 6)	\$ 160,574
4	Gallons sold in Test Year (1,000's)	315,930
5	Cost per 1,000 gallons	0.50826
6	Additional gallons from annualization (in 1,000's)	202
7		
8	Additional Expense	<u>\$ 103</u>
9		
10		
11	Adjustment to Revenue and/or Expense	<u><u>\$ 103</u></u>
12		
13		
14		
15		
16		
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**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Computation of Gross Revenue Conversion Factor

Exhibit  
Schedule C-3  
Page 1  
Witness: Bourassa

Line No.	Description	Percentage of Incremental Gross Revenues
1	Federal Income Taxes	0.00%
2		
3	State Income Taxes	0.00%
4		
5	Other Taxes and Expenses	0.00%
6		
7		
8	Total Tax Percentage	0.00%
9		
10	Operating Income % = 100% - Tax Percentage	100.00%
11		
12		
13		
14		
15	<u>1</u> = Gross Revenue Conversion Factor	
16	Operating Income %	1.0000
17		
18	<u>SUPPORTING SCHEDULES:</u>	<u>RECAP SCHEDULES:</u>
19		A-1
20		

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Summary of Cost of Capital

Exhibit  
Schedule D-1  
Page 1  
Witness: Bourassa

Line No.	Item of Capital	End of Test Year				End of Projected Year			
		Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost	Dollar Amount	Percent of Total	(e) Cost Rate	Weighted Cost
1	Long-Term Debt	766,944	23.24%	3.26%	N/A	5,210,863	66.33%	4.22%	N/A
3	Membership Equity	2,533,731	76.76%	0.00%	N/A	2,644,987	33.67%	0.00%	N/A
5	Totals	3,300,675	100.00%		0.00%	7,855,850	100.00%		0.00%
8	(1) Increase Equity for A/D adjustment B-2, page 1	\$	89,769						

SUPPORTING SCHEDULES:

RECAP SCHEDULES:  
A-3

D-1  
D-3  
D-4  
E-1

16  
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31

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Cost of Long Term Debt

Exhibit  
Schedule D-2  
Page 1  
Witness: Bourassa

Line No.	Description of Debt	End of Test Year			End of Projected Year			
		Amount Outstanding	Annual Interest	Interest Rate	Weighted Cost	Amount Outstanding	Annual Interest	Interest Rate
1								
2	WIFA Loan #1	72,313	2,712	3.750%	0.35%	66,553	2,354	3.750%
3	WIFA Loan #2	694,631	22,270	3.206%	2.90%	1,731,560	50,318	3.206%
4	Rural Development Phase II	-	-	0.000%	0.00%	1,669,250	78,782	4.750%
5	Rural Development Phase III	-	-	0.000%	0.00%	1,743,500	82,286	4.750%
6								0.05%
7								1.07%
8								1.52%
9								1.59%
10								
11								
12								
13	Totals	\$ 766,944	24,982		3.26%	\$ 5,210,863	213,741	4.22%
14								
15	Supporting Schedules:							
16	E-2							
17								
18								
19								
20								
21								
22								
23								

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Projected Long-Term Debt

Exhibit  
Schedule D-2  
Page 2  
Witness: Bourassa

Line No.	Original Amount	Term (years)	Annual Interest rate	Projected Principle	Projected Interest	Debt Service Principle + Interest	Debt Service or Replacement Reserve	Total Debt Service Plus Reserve
1								
2								
3								
4	120,000	20	3.750%	6,331	2,354	8,685	1,737	10,422
5	1,946,750	20	3.206%	84,081	50,318	134,399	26,880	161,279
6	1,669,250	40	4.750%	15,321	78,782	94,103	9,410	103,513
7	1,743,500	40	4.750%	16,002	82,286	98,289	9,829	108,118
8								
9								
10	<u>\$ 5,479,500</u>			<u>\$ 121,735</u>	<u>\$ 213,741</u>	<u>\$ 335,476</u>	<u>\$ 47,856</u>	<u>\$ 383,332</u>
11								
12								
13								
14								
15								
16								
17								
18								

SUPPORTING SCHEDULES

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Cost of Preferred Stock

Exhibit  
Schedule D-3  
Page 1  
Witness: Bourassa

Line No.	Description of Issue	<u>End of Test Year</u>			<u>End of Projected Year</u>		
		Shares Outstanding	Amount	Dividend Requirement	Shares Outstanding	Amount	Dividend Requirement
1							
2							
3	NOT APPLICABLE, NO PREFERRED STOCK ISSUED OR OUTSTANDING						
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17	SUPPORTING SCHEDULES:				RECAP SCHEDULES:		
18	(a) E-1				(a) D-1		
19							
20							

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Cost of Common Equity

Exhibit  
Schedule D-4  
Page 1  
Witness: Bourassa

Line  
No.

1  
2 The Company is proposing a 19% operating margin.  
3

4

5

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17 SUPPORTING SCHEDULES:

18 (a) E-1

19

20

RECAP SCHEDULES:

(a) D-1



Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Comparative Balance Sheets

Exhibit  
Schedule E-1  
Page 1  
Witness: Bourassa

Line No.		Test Year Ended 8/31/2005	Year Ended 8/31/2004	Year Ended 8/31/2003
1	<b>ASSETS</b>			
2	Plant In Service	\$ 7,620,789	\$ 6,685,836	\$ 6,100,255
3				
4	Non-Utility Plant	-	-	-
5	Construction Work in Progress	246,805	221,631	88,900
6	Less: Accumulated Depreciation	(3,557,581)	(3,300,321)	(3,067,940)
7	Net Plant	\$ 4,310,014	\$ 3,607,146	\$ 3,121,215
8				
9	Debt Reserve Fund	\$ -	\$ -	\$ -
10				
11		\$ -	\$ -	\$ -
12				
13	<b>CURRENT ASSETS</b>			
14	Cash and Equivalents	\$ 586,612	\$ 732,129	\$ 741,588
15	Restricted Cash	-	-	95,125
16	Accounts Receivable, Net	135,339	138,312	143,256
17	Materials and Supplies	28,755	28,279	27,247
18	Prepayments	23,423	11,354	12,684
19	Other Current Assets	37,212	38,301	38,230
20	Total Current Assets	\$ 811,341	\$ 948,375	\$ 1,058,130
21				
22	Deferred Debits	\$ -	\$ -	\$ -
23				
24	Other Investments & Special Funds	\$ -	\$ -	\$ -
25				
26	<b>TOTAL ASSETS</b>	\$ 5,121,355	\$ 4,555,521	\$ 4,179,345
27				
28				
29	<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
30				
31	Membership Equity	\$ 2,443,962	\$ 2,324,402	\$ 2,061,828
32				
33	Long-Term Debt (Net of Current Portion)	\$ 618,030	\$ 163,726	\$ 199,132
34				
35	<b>CURRENT LIABILITIES</b>			
36	Accounts Payable	\$ 5,055	\$ 10,155	\$ 19,191
37	Current Portion of Long-Term Debt	148,914	163,193	94,274
38	Customer Security Deposits	45,636	45,782	53,299
39	Customer Meter Advances, Current Portion	28,000	29,000	22,000
40	Advances in Aid of Construction, Current Portion	11,000	15,000	18,000
41	Accrued Taxes	68,098	67,072	64,574
42	Other Current Liabilities	38,781	32,173	42,082
43				
44	Total Current Liabilities	\$ 345,484	\$ 362,375	\$ 313,420
45	<b>DEFERRED CREDITS</b>			
46	Customer Meter Advances (Net of Current Portion)	\$ 62,447	\$ 90,688	\$ 113,123
47	Advances in Aid of Construction (Net of Current Portion)	708,102	894,675	896,684
48	Contributions In Aid of Construction, Net	943,330	719,655	595,248
49	Asset Retirement Obligations	-	-	-
50	Total Deferred Credits	\$ 1,713,879	\$ 1,705,018	\$ 1,605,055
51				
52	Total Liabilities & Common Equity	\$ 5,121,355	\$ 4,555,521	\$ 4,179,435
53				
54	<b>SUPPORTING SCHEDULES:</b>			
55	E-5			
56				

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Comparative Income Statements

Exhibit  
Schedule E-2  
Page 1  
Witness: Bourassa

Line No.		Test Year Ended 8/31/2005	Prior Year Ended 8/31/2004	Prior Year Ended 8/31/2003
1	<b>Revenues</b>			
2	Metered Water Revenues	\$ 1,286,465	\$ 1,285,924	\$ 1,253,093
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	59,485	62,669	64,683
5	<b>Total Revenues</b>	<u>\$ 1,345,950</u>	<u>\$ 1,348,592</u>	<u>\$ 1,317,776</u>
6	<b>Operating Expenses</b>			
7	Salaries and Wages	\$ 349,611	\$ 275,527	\$ 281,920
8	Employee Pensions and Benefits	62,091	41,831	43,913
9	Purchased Water	-	-	-
10	Purchased Power	151,149	153,330	142,381
11	Chemicals	4,529	3,714	2,670
12	Materials and Supplies	28,442	33,397	26,274
13	Office Supplies and Expense	-	-	-
14	Contractual Services - Engineering	5,602	5,236	5,254
15	Contractual Services - Accounting	36,017	32,770	29,448
16	Contractual Services - Legal	13,246	10,993	5,141
17	Contractual Services - Other	44,697	53,950	47,826
18	Water Testing	8,609	8,129	7,156
19	Rents	11,864	10,514	9,640
20	Transportation Expenses	67,841	52,892	60,248
21	Insurance - Vehicle	7,050	6,086	5,211
22	Insurance - General Liability	2,169	2,847	3,860
23	Insurance - Workers Comp.	3,648	2,496	3,413
24	Insurance - Other	6,017	4,571	4,652
25	Regulatory Commission Expense - Rate Case	-	-	26,279
26	Advertising Expense	2,447	-	552
27	Water Resource Conservation	2,340	999	1,281
28	Bad Debt Expense	3,782	2,381	263
29	Miscellaneous Expense	48,440	47,524	46,863
30	Depreciation Expense	223,521	203,790	196,573
31	Taxes Other Than Income	30,823	26,442	26,837
32	Property Taxes	101,634	99,359	96,484
33	Income Tax	-	-	-
34				
35	<b>Total Operating Expenses</b>	<u>\$ 1,215,569</u>	<u>\$ 1,078,778</u>	<u>\$ 1,074,139</u>
36	<b>Operating Income</b>	<u>\$ 130,381</u>	<u>\$ 269,814</u>	<u>\$ 243,637</u>
37	<b>Other Income (Expense)</b>			
38	Interest Income	6,674	6,504	6,755
39	Other income	-	88	915
40	Interest Expense	(17,495)	(13,832)	(21,414)
41	Other Expense	-	-	-
42				
43	<b>Total Other Income (Expense)</b>	<u>\$ (10,821)</u>	<u>\$ (7,240)</u>	<u>\$ (13,744)</u>
44	<b>Net Profit (Loss)</b>	<u><u>\$ 119,560</u></u>	<u><u>\$ 262,574</u></u>	<u><u>\$ 229,893</u></u>
45				
46				

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Comparative Statements of Cash Flows

Exhibit  
Schedule E-3  
Page 1  
Witness: Bourassa

Line No.		Test Year Ended 8/31/2005	Prior Year Ended 8/31/2004	Prior Year Ended 8/31/2003
1				
2				
3	Cash Flows from Operating Activities			
4	Net Income	\$ 119,560	\$ 262,574	\$ 229,893
5	Adjustments to reconcile net income to net cash			
6	provided by operating activities:			
7	Depreciation and Amortization	223,521	203,790	196,573
8	Deferred Rate Case Expense			26,279
9	Amorization of Finance Fees		851	330
10	Changes in Certain Assets and Liabilities:			
11	Accounts Receivable	2,973	4,944	(19,651)
12	Materials and Supplies Inventory	(476)	(1,032)	3,048
13	Prepaid Expenses	(12,069)	1,330	(2,397)
14	Accounts Payable	(5,100)	(9,036)	1,659
15	Customer Deposits	-	-	-
16	Taxes Payable	1,026	2,498	754
17	Other assets and liabilities	6,608	(9,909)	(993)
18	Patronage Distributions Received		(922)	(2,000)
19	Net Cash Flow provided by Operating Activities	\$ 336,043	\$ 455,088	\$ 433,495
20	Cash Flow From Investing Activities:			
21	Capital Expenditures	(960,128)	(718,222)	(186,465)
22	Proceeds - Investments	1,089	-	-
23	Construction Contract Credits	(13,278)	(14,296)	(16,157)
24	Net Cash Flows from Investing Activities	\$ (972,317)	\$ (732,518)	\$ (202,622)
25	Cash Flow From Financing Activities			
26	Proceeds - Release of Restricted Cash	-	96,087	83,381
27	Interest Credited to Restricted Cash	-	(962)	(1,926)
28	Receipts of contributions in aid of construction	93,500	39,375	34,374
29	Receipts of advances in aid of construction	-	137,624	14,089
30	Receipts of Meter Advances	-	13,335	8,260
31	Receipts of Customer Security Deposits	27,778	26,646	24,349
32	Long-term Debt Borrowing	582,610	285,199	-
33	Repayments of Long-Term Debt	(142,585)	(251,686)	(107,214)
34	Refunds of Customer Security Deposits	(27,924)	(34,163)	(17,516)
35	Refunds of advances in aid of construction	(13,381)	(14,714)	(22,260)
36	Refunds of Meter Advances	(29,241)	(28,770)	(21,710)
37		-	-	-
38	Net Cash Flows Provided by Financing Activities	\$ 490,757	\$ 267,971	\$ (6,173)
39	Increase(decrease) in Cash and Cash Equivalents	(145,517)	(9,459)	224,700
40	Cash and Cash Equivalents at Beginning of Year	732,129	741,588	516,888
41	Cash and Cash Equivalents at End of Year	\$ 586,612	\$ 732,129	\$ 741,588
42				
43				

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Statement of Changes in Equity

Exhibit  
Schedule E-4  
Page 1  
Witness: Bourassa

Line

No.

	Member	Additional	Accumulated Excess		
	Equity	Paid-In-Capital	of		Total
			Revenues	Over Expenses	
1					
2					
3					
4	Balance, August 31, 2002	\$ -	\$ -	\$ 1,831,935	\$ 1,831,935
5	Addnl Paid In Capital		-	-	-
6					
7	Net Income			229,893	229,893
8					
9	Balance, August 31, 2003	\$ -	\$ -	\$ 2,061,828	\$ 2,061,828
10	Addnl Paid In Capital		-	-	-
11					
12	Net Income			262,574	262,574
13					
14	Balance, August 31, 2004	\$ -	\$ -	\$ 2,324,402	\$ 2,324,402
15	Addnl Paid In Capital				-
16					-
17	Net Income			119,560	119,560
18					
19	Balance, August 31, 2005	\$ -	\$ -	\$ 2,443,962	\$ 2,443,962
20					
21					
22					
23					
24					
25					
26					

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Detail of Plant in Service

Exhibit a  
Schedule E-5  
Page 1  
Witness: Bourassa

Line No.	Acct. No.	Plant Description	Plant Balance at 8/31/2004	Plant Additions, Reclass- ifications or Retirements	Plant Balance at 8/31/2005
1					
2	301	Organization Cost	\$ 8,685	\$ -	\$ 8,685
3	302	Franchise Cost	-	-	-
4	303	Land and Land Rights	106,087	6,938	113,026
5	304	Structures and Improvements	191,922	16,995	208,917
6	305	Collecting and Impounding Res.	28,418	-	36,949
7	306	Lake River and Other Intakes	-	-	-
8	307	Wells and Springs	889,312	529,470	1,418,783
9	308	Infiltration Galleries and Tunnels	-	-	-
10	309	Supply Mains	-	-	-
11	310	Power Generation Equipment	-	-	-
12	311	Electric Pumping Equipment	378,635	39,160	417,795
13	320	Water Treatment Equipment	9,335	-	9,335
14	330	Distribution Reservoirs & Standpipe	1,110,199	500	1,110,699
15	331	Transmission and Distribution Mains	2,886,641	230,545	3,117,186
16	333	Services	465,590	5,567	471,158
17	334	Meters	206,363	60,379	266,742
18	335	Hydrants	23,162	4,082	27,244
19	336	Backflow Prevention Devices	-	-	-
20	339	Other Plant and Miscellaneous Equipment	-	-	-
21	340	Office Furniture and Fixtures	138,030	13,090	151,120
22	341	Transportation Equipment	113,217	-	113,217
23	342	Stores Equipment	-	-	-
24	343	Tools and Work Equipment	102,166	6,115	108,281
25	344	Laboratory Equipment	-	-	-
26	345	Power Operated Equipment	-	-	-
27	346	Communications Equipment	28,074	13,582	41,656
28	347	Miscellaneous Equipment	-	-	-
29	348	Other Tangible Plant	-	-	-
30		Plant Held for Future Use	-	-	-
31					
32		TOTAL WATER PLANT	\$ 6,685,836	\$ 926,422	\$ 7,620,789

SUPPORTING SCHEDULES

RECAP SCHEDULES:

A-4

E-1

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Operating Statistics

Exhibit  
Schedule E-7  
Page 1  
Witness: Bouras

Line No.		Test Year Ended <u>8/31/2005</u>	Prior Year Ended <u>8/31/2004</u>	Prior Year Ended <u>8/31/2003</u>
1	<u>WATER STATISTICS:</u>			
2				
3				
4				
5	Total Gallons Sold (in Thousands)	315,930	334,785	342,755
6				
7				
8				
9	Water Revenues from Customers:	\$ 1,286,465	\$ 1,285,924	\$ 1,253,093
10				
11				
12				
13				
14	Year End Number of Customers	2,529	2,528	2,493
15				
16				
17	Annual Gallons (in Thousands)			
18	Sold Per Year End Customer	125	132	137
19				
20				
21				
22	Annual Revenue per Year End Customer	\$ 508.69	\$ 508.67	\$ 502.64
23				
24	Pumping Cost Per 1,000 Gallons	\$ 0.4784	\$ 0.4580	\$ 0.4154
25	Purchased Water Cost per 1,000 Gallons	\$ -	\$ -	\$ -

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Taxes Charged to Operations

Exhibit  
Schedule E-8  
Page 1  
Witness: Bourassa

Line No.	Description	Test Year Ended <u>8/31/2005</u>	Prior Year Ended <u>8/31/2004</u>	Prior Year Ended <u>8/31/2003</u>
1				
2				
3	Federal Income Taxes	\$ -	\$ -	\$ -
4	State Income Taxes	-	-	-
5	Payroll Taxes	30,823	26,442	26,837
6	Property Taxes	101,634	99,359	96,484
7				
8	Totals	<u>\$ 132,457</u>	<u>\$ 125,801</u>	<u>\$ 123,321</u>
9				
10				
11				
12				
13				
14				

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Notes To Financial Statements

Exhibit  
Schedule E-9  
Page 1  
Witness: Bourassa

Please see the attached audited financials



**Avra Water Co-op, Inc.**  
**(A Cooperative Water Utility Corporation)**  
**Financial Statements**  
**August 31, 2005 and 2004**

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors and  
Members of Avra Water Co-op, Inc.

We have audited the accompanying balance sheets of Avra Water Co-op, Inc. (a cooperative water utility corporation) as of August 31, 2005 and 2004, and the related statements of revenue and expenses and accumulated excess of revenue over expenses and cash flows for the years then ended. These financial statements are the responsibility of the Co-op's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avra Water Co-op, Inc. as of August 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ullmann & Company*

ULLMANN & COMPANY, P.C.  
Certified Public Accountants

September 16, 2005

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Balance Sheets

Assets

	<u>August 31</u>	
	<u>2005</u>	<u>2004</u>
<u>Utility Plant</u>		
Plant in Service	\$ 7,620,789	\$ 6,685,836
Less: Accumulated Depreciation	<u>3,557,581</u>	<u>3,300,321</u>
Net Plant in Service	\$ 4,063,208	\$ 3,385,515
Construction Work in Progress	<u>246,806</u>	<u>221,631</u>
<u>Net Utility Plant</u>	<u>\$ 4,310,014</u>	<u>\$ 3,607,146</u>
 <u>Current Assets</u>		
Cash and Cash Equivalents	\$ 586,612	\$ 732,129
Accounts Receivable (Net of Allowance For Doubtful Accounts of \$3,000 for 2005 and 2004)	<u>135,339</u>	<u>138,312</u>
Material and Supplies Inventory (Stated at Lower of Cost or Market)	<u>28,755</u>	<u>28,279</u>
Prepaid Expenses	<u>23,423</u>	<u>11,354</u>
<u>Total Current Assets</u>	<u>\$ 774,129</u>	<u>\$ 910,074</u>
 <u>Other Assets</u>		
Deferred Financing Fees	\$ 1,993	\$ 1,993
Investment	<u>35,219</u>	<u>36,308</u>
<u>Total Other Assets</u>	<u>\$ 37,212</u>	<u>\$ 38,301</u>
 <u>Total Assets</u>	<u>\$ 5,121,355</u>	<u>\$ 4,555,521</u>

The accompanying notes are an integral part of these financial statements.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Balance Sheets

Capital and Liabilities

	<u>August 31</u>	
	<u>2005</u>	<u>2004</u>
<u>Capitalization</u>		
<u>Equity</u>		
Accumulated Excess of Revenue Over Expenses	\$ 2,443,962	\$ 2,324,402
<u>Contributions in Aid of Construction</u>	\$ 943,330	\$ 719,655
<u>Long-Term Debt (Net of Current Portion)</u>	\$ 618,030	\$ 163,726
<u>Total Capitalization</u>	\$ 4,005,322	\$ 3,207,783
<u>Current Liabilities</u>		
Current Maturity of Long-Term Debt	\$ 148,914	\$ 163,193
Accounts Payable	5,055	10,155
Customer Security Deposits	45,636	45,782
Current Portion of Customer Meter Advances	28,000	29,000
Current Portion of Customer Advances in Aid of Construction	11,000	15,000
Accrued Property Taxes	68,098	67,072
Other Accrued Liabilities	38,781	32,173
<u>Total Current Liabilities</u>	\$ 345,484	\$ 362,375
<u>Deferred Credits and Other Liabilities</u>		
Customer Meter Advances (Net of Current Portion)	\$ 62,447	\$ 90,688
Customer Advances in Aid of Construction (Net of Current Portion)	708,102	894,675
<u>Total Deferred Credits and Other Liabilities</u>	\$ 770,549	\$ 985,363
<u>Total Equity and Liabilities</u>	\$ 5,121,355	\$ 4,555,521

The accompanying notes are an integral part of these financial statements.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Statements of Revenue and Expenses and  
Accumulated Excess of Revenue Over Expenses

	Year Ended August 31	
	2005	2004
<u>Operating Revenue</u>	\$ 1,345,950	\$ 1,348,592
<u>Operating Expenses</u>		
Gross Salaries and Wages	\$ 350,854	\$ 280,857
Less Capitalized Salaries and Wages	(1,243)	(5,330)
Net Salaries and Wages	\$ 349,611	\$ 275,527
Purchased Power	151,149	153,330
Depreciation and Amortization	223,521	203,790
Property Taxes	101,634	99,359
Legal and Accounting	49,263	43,763
Payroll Taxes	27,430	23,277
Repairs and Maintenance	42,784	44,084
Insurance	15,236	13,505
Engineering	5,602	5,236
Transportation	67,841	52,892
Employee Benefits	62,091	41,831
Office Supplies and Postage	35,625	37,720
Workers' Compensation Insurance	3,648	2,496
Provision for Doubtful Accounts	3,782	2,381
Advertising	2,447	-
Other	73,905	79,587
<u>Total Operating Expenses</u>	\$ 1,215,569	\$ 1,078,778
<u>Excess of Operating Revenue Over Operating Expenses</u>	\$ 130,381	\$ 269,814
<u>Other Revenue &lt;Expenses&gt;</u>		
Interest on Debt	\$ (17,495)	\$ (12,981)
Amortization of Financing Fees	-	(851)
Interest Income	6,674	6,504
Non-Operating Revenue	-	88
<u>Total Other Revenue &lt;Expenses&gt;</u>	\$ (10,821)	\$ (7,240)
<u>Excess of Revenue Over Expenses</u>	\$ 119,560	\$ 262,574
<u>Accumulated Excess of Revenue Over Expenses - Beginning</u>	2,324,402	2,061,828
<u>Accumulated Excess of Revenue Over Expenses - Ending</u>	\$ 2,443,962	\$ 2,324,402

The accompanying notes are an integral part of these financial statements.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Statements of Cash Flows

	Year Ended August 31	
	2005	2004
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from Customers	\$ 1,306,404	\$ 1,310,558
Cash Paid for Expenses	(1,002,059)	(891,137)
Interest Received	6,674	6,504
Interest Paid	(17,495)	(13,903)
<b><u>Net Cash Provided by Operating Activities</u></b>	<b>\$ 293,524</b>	<b>\$ 412,022</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Utility Plant Expenditures	\$ (960,128)	\$ (718,222)
Proceeds - Investments	1,089	-
Proceeds - Release of Restricted Cash	-	96,087
Interest Credited to Restricted Cash	-	(962)
<b><u>Net Cash Used in Investing Activities</u></b>	<b>\$ (959,039)</b>	<b>\$ (623,097)</b>
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds - Customer Advances in Aid of Construction	\$ -	\$ 137,624
Proceeds - Contributions in Aid of Construction	93,500	39,375
Proceeds - Customer Meter Advances	-	13,335
Proceeds - Customer Security Deposits	27,778	26,646
Long-Term Debt Borrowings	582,610	285,199
Refunds of Customer Security Deposits	(27,924)	(34,163)
Refunds of Customer Advances in Aid of Construction	(13,381)	(14,714)
Principal Payment of Debt	(142,585)	(251,686)
<b><u>Net Cash Provided (Used) in Financing Activities</u></b>	<b>\$ 519,998</b>	<b>\$ 201,616</b>
<b><u>Net Change in Cash and Cash Equivalents</u></b>	<b>\$ (145,517)</b>	<b>\$ (9,459)</b>
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	<b>732,129</b>	<b>741,588</b>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	<b>\$ 586,612</b>	<b>\$ 732,129</b>

The accompanying notes are an integral part of these financial statements.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Statements of Cash Flows

	Year Ended August 31	
	2005	2004
<u>Reconciliation of Excess of Revenue</u>		
<u>Over Expenses from Operating Activities</u>		
Excess of Revenue Over Expenses	\$ 119,560	\$ 262,574
<u>Adjustments to Reconcile Excess of</u>		
<u>Revenue Over Expenses to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Depreciation and Amortization	\$ 223,521	\$ 203,790
Amortization of Financing Fees	-	851
<Increase> Decrease in:		
Accounts Receivable	2,973	4,944
Materials and Supplies Inventory	(476)	(1,032)
Prepaid Expenses	(12,069)	1,330
Increase <Decrease> in:		
Accounts Payable	(5,100)	(9,036)
Accrued Property Taxes	1,026	2,498
Other Liabilities	6,608	(9,909)
Patronage Distributions Received -		
Noncash Portion	-	(922)
Meter Advances Refunded -		
Noncash Portion	(29,241)	(28,770)
Construction Contract Credits		
Noncash Portion	(13,278)	(14,296)
<u>Total Adjustments</u>	\$ 173,964	\$ 149,448
<u>Net Cash Provided by Operating Activities</u>	\$ 293,524	\$ 412,022

The accompanying notes are an integral part of these financial statements.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Notes to Financial Statements  
August 31, 2005 and 2004

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

These financial statements include the accounts of Avra Water Co-op, Inc., an Arizona Non-Profit Corporation, which is owned by its water users.

On January 3, 1979, the Co-op purchased the assets, Certificate of Convenience and Necessity, and the franchise of Acorn Water Company. Acorn Water Company was serving the unincorporated area known as Avra Valley, which is located in Pima County, Arizona. Concurrent with the purchase, the Co-op entered into a construction project to improve and expand the existing system. Substantially all of the financing for the acquisition, improvement, and expansion of the system was obtained from the Farmers Home Administration. The financing consisted of a \$382,400 loan and a \$449,800 grant. The grant need not be repaid provided the Co-op complies with the terms of the grant agreement. The grant requires the Co-op to manage, operate, and maintain the water system in an efficient, economical, and nondiscriminatory manner and to expand the system from time to time to meet reasonable anticipated growth or service requirements in the area within the Co-op's jurisdiction. The Co-op may not transfer or dispose of any part of the system which was constructed or improved with grant funds without written consent from Farmers Home Administration.

**Nature of Business**

The Co-op provides water to customers all located in an unincorporated area known as Avra Valley, Arizona.

**Utility Plant**

Property, plant and equipment comprising the utility plant is recorded at cost. Periodically, the Arizona Corporation Commission may review the basis of the plant and equipment and establish a new cost basis for user rate making purposes. The Co-op will adjust the cost basis of its assets to comply with the Arizona Corporation Commission at such time. Renewals and betterments are charged to plant accounts and costs of depreciable property retired and renewal costs less salvage are removed from utility plant accounts in accordance with standard accounting practices prescribed for water utilities. Repairs and maintenance are charged to operations as incurred.



Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Notes to Financial Statements  
August 31, 2005 and 2004

**Depreciation and Amortization**

Depreciation charges are determined on rates allowed by the Arizona Corporation Commission and were calculated on the straight-line basis at rates that range from two to twenty percent pursuant to an order by the Arizona Corporation Commission.

Contributions in aid of construction are being amortized at a rate equal to the rate allowed for depreciation, as a reduction of depreciation charges.

Deferred financing fees are amortized using the straight-line method over the life of the related notes.

**Income Taxes**

The Co-op is a non-profit corporation and exempt from Federal and Arizona income taxes on income related to its exempt purpose pursuant to Internal Revenue Code Section 501(c)(12).

**Revenue Recognition**

Revenues are recorded as services are rendered and include an estimate for amounts unbilled at the end of the year for water used subsequent to the last billing cycle.

**Advertising**

The Co-op follows the policy of charging the costs of advertising to expense as incurred. The advertising costs were \$2,447 in 2005 and \$0 in 2004.

**Allowance for Doubtful Accounts**

Allowance for doubtful accounts is computed based on an analysis of collectibility of accounts receivable at the balance sheet date.

**Materials and Supplies Inventory**

Materials and supplies inventory is stated at lower of cost or market. For purposes of computing cost, the FIFO method is used. Market value is computed using replacement cost.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Notes to Financial Statements  
August 31, 2005 and 2004

Investment

The Co-op's investment in CoBank stock is stated at cost.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Co-op considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**NOTE 2    USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 3    UTILITY PLANT**

The major components of utility plant in service at August 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Land	\$ 113,026	\$ 106,087
Intangibles	8,685	8,685
Water Utility Plant	7,126,462	6,217,653
Furniture and Fixtures	151,119	138,029
Tools	108,281	102,166
Vehicles	113,216	113,216
	<u>\$ 7,620,789</u>	<u>\$ 6,685,836</u>

The Co-op utilizes its personnel to install new meters and services. Capitalized labor for new plant installations was \$1,243 and \$1,294 for 2005 and 2004, respectively.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Notes to Financial Statements  
August 31, 2005 and 2004

Depreciation and amortization for the years ended August 31 were as follows:

	<u>2005</u>	<u>2004</u>
Depreciation	\$ 257,260	\$ 232,381
Amortization of Contributions in Aid of Construction	<u>&lt;33,739&gt;</u>	<u>&lt;28,591&gt;</u>
Net Depreciation	<u>\$ 223,521</u>	<u>\$ 203,790</u>
Amortization Charged to Other Expenses		
Deferred Financing Fees	<u>\$ 0</u>	<u>\$ 851</u>

**NOTE 4    ADVANCES IN AID OF CONSTRUCTION**

Customer advances for construction are subject to refund in accordance with agreements approved by the Arizona Corporation Commission. Agreements provide for refunds equal to 10 percent to 20 percent of annual water revenue generated from the expansion. The repayments are for a maximum agreed-upon period or until repaid in full. Any balance remaining at the end of the agreed-upon period for repayment becomes a contribution in aid of construction. During 2005 twenty-two contracts expired and in 2004 thirteen contracts expired. The remaining balances of these contracts in the amounts of \$163,914 and \$110,823 were transferred to contributions in aid of construction in 2005 and 2004, respectively.

The account also includes a water service and development agreement with the Marana Unified School District. The agreement allows for a credit of 100% of the water service revenue to the advance in aid of construction until the entire contract balance is satisfied. The original contract is equal to the amount of the cost of construction of \$254,632. The balance of the contract at August 31 is \$140,294 in 2005 and \$153,572 in 2004. Water sales credited pursuant to the contract were \$13,278 in 2005 and \$14,296 in 2004.

**NOTE 5    CUSTOMER METER ADVANCES**

The Co-op is refunding meter advances to members in equal installments, without interest, over a ten-year period. The refund is received in the form of a credit to the members on their November water bill.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Notes to Financial Statements  
August 31, 2005 and 2004

**NOTE 6     FINANCIAL INSTRUMENTS**

The Co-op's financial instruments consist of cash, trade accounts receivable, accounts payable and long-term debt. Financial instruments which potentially subject the Co-op to credit risk consist primarily of trade accounts receivables, and cash deposits in bank accounts. The Co-op bills its customers for water usage based on meter readings. Security deposits are collected from new customers and existing customers who have been delinquent in payments two or more times in a twelve-month period, and are held until the customer establishes a good payment history for a twelve-month period. Due to the large number of small accounts, concentrations of credit risk with respect to trade accounts receivables is limited. The Co-op, in the normal course of business, maintains bank balances in excess of FDIC insurance limits.

**NOTE 7     SUPPLEMENTAL CASH FLOW INFORMATION**

The Co-op engaged in the following investing and financing noncash transactions:

	<u>2005</u>	<u>2004</u>
Equity stock received as patronage distributions	\$    —	\$  922
Meter deposit refunds applied to amounts due from customers	29,241	28,770
Expired Advance in Aid of Construction contracts transferred to Contributions in Aid of Construction	163,914	110,823
Amounts due from customers applied to construction contract repayments	13,278	14,296

**NOTE 8     PATRONAGE DISTRIBUTION**

The Co-op received patronage distributions related to its debt and investment with CoBank. The CoBank note was paid in full on December 17, 2003. The Co-op received \$1,089 in 2005 in patronage distributions presented as a reduction in the investment and \$1,844 in 2004 in patronage distributions presented as a reduction in interest expense.

These patronage distributions consisted of cash distributions of \$1,089 in 2005 and \$922 in 2004 and CoBank stock of \$0 in 2005 and \$922 in 2004.

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Notes to Financial Statements  
August 31, 2005 and 2004

**NOTE 9    LONG-TERM DEBT**

Long-term debt consists of the following:

	<u>2005</u>	<u>2004</u>
3.75% note payable to The Water Infrastructure Finance Authority of Arizona due in monthly installments of \$868 (including principal, interest, and debt service reserve contribution). The final payment on the note is due March 1, 2015. The note is secured by the utility plant of the Co-op.	72,313	79,069
3.206% note payable to The Water Infrastructure Finance Authority of Arizona due in monthly installments of \$13,440 (including principal, interest, and debt service reserve contribution). The final payment on the existing note is due July 1, 2010. The total loan commitment is for \$1,946,750 for improvements to the Company's utility plant. The Company has received \$867,809 as of August 31, 2005. The note is secured by the utility plant of the Co-op.	694,631	247,850
	\$ 766,944	\$ 326,919
Less Current Portion	<148,914>	<163,193>
Long-Term Portion	<u>\$ 618,030</u>	<u>\$ 163,726</u>

Long-term debt maturities at August 31 are as follows:

2006	\$ 148,914
2007	153,075
2008	157,058
2009	157,720
2010 and Thereafter	<u>150,177</u>
	<u>\$ 766,944</u>

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Notes to Financial Statements  
August 31, 2005 and 2004

**LONG-TERM DEBT CONTINUED**

The covenants of the notes payable to The Water Infrastructure Finance Authority of Arizona require the Co-op to retain all existing capital and accumulated surplus in the business and retain all revenue over and above that needed to pay operating, maintenance, debt service and reserve requirements; or use same to reduce obligations due creditors; or invest same for capital expenditures related directly to the Co-op's ability to provide services to users. Also, restrictions are placed on the Co-op related to creating, incurring, assuming, or allowing to exist any indebtedness or liability for borrowed money, for deferred purchase price of property or services, or capital leases. These restrictions do not include trade accounts payable incurred in the ordinary course of business.

**NOTE 10 RETIREMENT PLAN CONTRIBUTIONS**

The Co-op has adopted a SIMPLE Individual Retirement Account under Section 408 (p) of the Internal Revenue Code for its employees. Employees are allowed to make salary reduction contributions up to \$12,000 for calendar year 2005 and \$10,500 for calendar year 2004. The Co-op must either make a matching contribution to each eligible employee's SIMPLE IRA up to 3 percent of the employee's compensation for the calendar year or make nonelective contributions equal to 2 percent of compensation for the calendar year (up to a maximum of \$205,000 of compensation). The Co-op contributed \$6,608 in 2005 and \$5,629 in 2004.

**NOTE 11 INVESTMENT**

The investment consists of nonmarketable equity stock in CoBank, a cooperative bank. When the Co-op was a borrower from CoBank, the Co-op was required to purchase equity in CoBank in accordance with CoBank's bylaws and capital plan. The investment in CoBank stock is accounted for by the cost method. The Co-op currently receives distributions from CoBank to repay its equity stock investment (See NOTE 8).

Avra Water Co-op, Inc.  
(A Cooperative Water Utility Corporation)  
Notes to Financial Statements  
August 31, 2005 and 2004

**NOTE 12    OPERATING LEASES**

The Co-op has operating leases for vehicles and office equipment with lease terms ranging from three to five years. Vehicle and office leases charged to earnings was \$60,150 in 2005 and \$54,815 in 2004. Minimum lease payments under operating lease agreements expiring subsequent to August 31, 2005 are as follows:

2006	\$ 44,070
2007	22,425
2008	10,169
2009	<u>1,164</u>
	<u>\$ 77,828</u>

**NOTE 13    CONSTRUCTION WORK IN PROGRESS**

Construction work in progress in the amount of \$246,805 for 2005 and \$189,827 for 2004 relates to a long-term utility plant construction project. The total estimated cost of the project is \$7,910,000. The Co-op has received approval from the Arizona Corporation Commission to borrow \$5,303,537 of this amount. The Co-op plans to fund the balance of \$2,606,463 with grants.

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Projected Income Statements - Present & Proposed Rates

Exhibit  
Schedule F-1  
Page 1  
Witness: Bourassa

Line No.		Test Year Actual Results	At Present Rates Year Ended 8/31/2006	At Proposed Rates Year Ended 8/31/2006
1	<b>Revenues</b>			
2	Metered Water Revenues	\$ 1,286,465	\$ 1,287,685	\$ 1,615,902
3	Unmetered Water Revenues	-	-	-
4	Other Water Revenues	59,485	59,485	59,485
5		<u>\$ 1,345,950</u>	<u>\$ 1,347,170</u>	<u>\$ 1,675,387</u>
6	<b>Operating Expenses</b>			
7	Salaries and Wages	\$ 349,611	\$ 349,611	\$ 349,611
8	Employee Pensions and Benefits	\$ 62,091	\$ 62,091	\$ 62,091
9	Purchased Water	-	-	-
10	Purchased Power	151,149	158,515	158,515
11	Chemicals	4,529	4,529	4,529
12	Repairs and Maintenance	28,442	28,442	28,442
13	Office Supplies and Expense	-	-	-
14	Contractual Services - Engineering	5,602	5,602	5,602
15	Contractual Services - Accounting	36,017	36,017	36,017
16	Contractual Services - Legal	13,246	13,246	13,246
17	Contractual Services - Other	44,697	44,697	44,697
18	Water Testing	8,609	8,609	8,609
19	Rents	11,864	11,864	11,864
20	Transportation Expenses	67,841	67,841	67,841
21	Insurance - Vehicle	7,050	7,050	7,050
22	Insurance - General Liability	2,169	2,169	2,169
23	Insurance - Workers Comp.	3,648	3,648	3,648
24	Insurance - Other	6,017	6,017	6,017
25	Regulatory Commission Expense - Rate Case	-	25,000	25,000
26	Advertising Expense	2,447	2,447	2,447
27	Water Resource Conservation	2,340	2,340	2,340
28	Bad Debt Expense	3,782	3,782	3,782
29	Miscellaneous Expense	48,440	48,440	48,440
30	Depreciation Expense	223,521	328,927	328,927
31	Taxes Other Than Income	30,823	30,823	30,823
32	Property Taxes	101,634	105,356	105,356
33	Income Tax	-	-	-
34				
35	<b>Total Operating Expenses</b>	<u>\$ 1,215,569</u>	<u>\$ 1,357,063</u>	<u>\$ 1,357,063</u>
36	<b>Operating Income</b>	<u>\$ 130,381</u>	<u>\$ (9,893)</u>	<u>\$ 318,323</u>
37	<b>Other Income (Expense)</b>			
38	Interest Income	6,674	6,674	6,674
39	Other income	-	-	-
40	Interest Expense	(17,495)	(213,741)	(213,741)
41	Other Expense	-	-	-
42	Gain/Loss Sale of Fixed Assets	-	-	-
43	<b>Total Other Income (Expense)</b>	<u>\$ (10,821)</u>	<u>\$ (207,067)</u>	<u>\$ (207,067)</u>
44	<b>Net Profit (Loss)</b>	<u>\$ 119,560</u>	<u>\$ (216,960)</u>	<u>\$ 111,256</u>
45				



**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Projected Statements of Changes in Financial Position  
Present and Proposed Rates

Exhibit  
Schedule F-2  
Page 1  
Witness: Bourassa

Line No.		Test Year Ended 8/31/2005	At Present Rates Year Ended 8/31/2006	At Proposed Rates Year Ended 8/31/2006
1				
2				
3				
4				
5	Cash Flows from Operating Activities			
6	Net Income	\$ 119,560	\$ (216,960)	\$ 111,256
7	Adjustments to reconcile net income to net cash			
8	provided by operating activities:			
9	Depreciation and Amortization	223,521	328,927	328,927
10				
11	Changes in Certain Assets and Liabilities:			
12	Accounts Receivable	2,973		
13	Materials and Supplies Inventory	(476)		
14	Prepaid Expenses	(12,069)		
15	Accounts Payable	(5,100)		
16	Customer Deposits	-		
17	Taxes Payable	1,026		
18	Other assets and liabilities	6,608		
19				
20	Net Cash Flow provided by Operating Activities	\$ 336,043	\$ 111,967	\$ 440,183
21	Cash Flow From Investing Activities:			
22	Capital Expenditures	(960,128)	(4,635,000)	(4,635,000)
23	Proceeds - Investments	1,089		
24	Construction Contract Credits	(13,278)		
25	Net Cash Flows from Investing Activities	\$ (972,317)	\$ (4,635,000)	\$ (4,635,000)
26	Cash Flow From Financing Activities			
27	Proceeds - Release of Restricted Cash	-		
28	Interest Credited to Restricted Cash	-		
29	Receipts of contributions in aid of construction	93,500		-
30	Receipts of advances in aid of construction	-	-	-
31	Receipts of Meter Advances	-	-	-
32	Receipts of Customer Security Deposits	27,778	-	-
33	Long-term Debt Borrowing	582,610	3,105,000	3,105,000
34	Repayments of Long-Term Debt	(142,585)	(148,914)	(148,914)
35	Refunds of Customer Security Deposits	(27,924)	(27,924)	(27,924)
36	Refunds of advances in aid of construction	(13,381)	(11,000)	(11,000)
37	Refunds of Meter Advances	(29,241)	(28,000)	(28,000)
37		-	-	-
38	Net Cash Flows Provided by Financing Activities	\$ 490,757	\$ 2,889,162	\$ 2,889,162
39	Increase(decrease) in Cash and Cash Equivalents	(145,517)	(1,633,871)	(1,305,655)
40	Cash and Cash Equivalents at Beginning of Year	732,129	586,612	586,612
41	Cash and Cash Equivalents at End of Year	\$ 586,612	\$ (1,047,259)	\$ (719,042)
42	F-3			
43				
44				

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Projected Construction Requirements

Exhibit  
Schedule F-3  
Page 1  
Witness: Bourassa

Line No.							
1							
2	Account						
3	<u>Number</u>	<u>Plant Asset:</u>	<u>Test Year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	
4	301	Organization Cost	\$ -	\$ -	\$ -	\$ -	
5	302	Franchise Cost	-	-	-	-	
6	303	Land and Land Rights	6,938	-	-	-	
7	304	Structures and Improvements	16,995	650,000	-	-	
8	306	Lake, River and Other Intakes	-	-	-	-	
9	307	Wells and Springs	-	1,000,000	-	700,000	
10	310	Power Generation Equipment	529,470	-	-	-	
11	311	Electric Pumping Equipment	-	-	-	-	
12	320	Water Treatment Equipment	-	-	-	-	
13	330	Distribution Reservoirs & Standpipe	-	675,000	-	-	
14	331	Transmission and Distribution Mains	39,160	2,310,000	305,000	-	
15	333	Services	-	-	-	-	
16	334	Meters	500	-	-	-	
17	335	Hydrants	230,545	-	-	-	
18	339	Plant Structures and Improvements	5,567	-	-	-	
19	340	Office Furniture and Fixtures	60,379	-	-	-	
20	341	Transportation Equipment	4,082	-	-	-	
21	343	Tools and Work Equipment	-	-	-	-	
22	344	Power Operated Equipment	-	-	-	-	
23	345	Communications Equipment	13,090	-	-	-	
24	346	Miscellaneous Equipment	-	-	-	-	
25	348	Other Tangible Plant	-	-	-	-	
26			6,115				
27	Total		\$ 906,726	\$ 4,635,000	\$ 305,000	\$ 700,000	
28							
29							
30							

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Assumptions Used in Rate Filing

Exhibit  
Schedule F-4  
Page 1  
Witness: Bourassa

Line

No.

- 1 Property Taxes were computed using the method used by the Arizona Department
- 2 of Revenue
- 3
- 4 Projected construction expenditures are shown on Schedule A-4.
- 5
- 6 Expense adjustments are shown on Schedule C2, and are explained in the testimony.
- 7
- 8 Income taxes were computed using statutory state and federal income tax rates.
- 9
- 10
- 11
- 12
- 13
- 14
- 15

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Revenue Summary

Exhibit  
Schedule H-1  
Page 1  
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	Present Revenues	Proposed Revenues	Dollar Change	Percent Change	Percent of	
						Present Water Revenues	Proposed Water Revenues
1	5/8 Inch Meter	\$ 1,219,850	\$ 1,530,111	\$ 310,261	25.43%	90.81%	91.54%
2	3/4 Inch Meter	4,589	7,138	2,549	55.55%	0.34%	0.43%
3	1 Inch Meter	9,140	11,293	2,153	23.56%	0.68%	0.68%
4	1.5 Inch Meter	14,096	17,827	3,731	26.47%	1.05%	1.07%
5	2 Inch Meter	26,818	34,107	7,289	27.18%	2.00%	2.04%
6	4 Inch Meter	8,119	10,041	1,922	23.67%	0.60%	0.60%
7	Miscellaneous Revenues	59,485	59,485	-	0.00%	4.43%	3.56%
8	Total Water Revenues	\$ 1,342,097	\$ 1,670,002	\$ 327,905	24.43%	99.91%	99.91%
9	5/8 Inch customer revenue						
10	annualized to end of year, based on						
11	year end number of customers	\$ 1,220	\$ 1,520	\$ 300	24.59%	0.09%	0.09%
12							
13	Total Water Revenues, after correction for						
14	Billing to hundreds of Gallons	\$ 1,343,317	\$ 1,671,522	\$ 328,205	49.02%	100.00%	100.00%
15							
16							
17	Total Water Revenues without Revenue						
18	Annualization	\$ 1,342,097					
19	Water Revenues Per General Ledger	\$ 1,345,950					
20	Difference (a)	(\$3,853)					
21							
22	Percentage Error	0.29%					
23							
24							

**Avra Water Co-op, Inc.**  
Test Year Ended August 31, 2005  
Analysis of Revenue by Detailed Class  
**Rates**

Exhibit  
Schedule H-2  
Page 1  
Witness: Bourassa

Line No.	Customer Classification and/or Meter Size	Average Number of Customers at 8/31/1999	Average Consumption	Revenues		Proposed Increase		
				Present Rates	Proposed Rates	Dollar Amount	Percent Amount	Percent Amount
1	5/8 Inch Meter	2,502	9,825	\$ 1,219,850	\$ 1,530,111	\$ 310,261	25.59%	25.59%
2	3/4 Inch Meter	8	13,542	\$ 4,589	\$ 7,138	\$ 26.16	55.88%	55.88%
3	1 Inch Meter	9	15,126	\$ 9,140	\$ 11,293	\$ 2,152.96	23.56%	23.56%
4	1.5 Inch Meter	3	144,861	\$ 14,096	\$ 17,827	\$ 3,731.04	26.47%	26.47%
5	2 Inch Meter	3	290,792	\$ 26,818	\$ 34,107	\$ 7,289.07	27.18%	27.18%
6	4 Inch Meter	1	54,959	\$ 8,119	\$ 10,041	\$ 1,921.63	23.67%	23.67%

Avra Water Co-op, Inc.  
Changes in Representative Rates  
Test Year Ended August 31, 2005

Exhibit  
Schedule H-3  
Page 1  
Witness: Bourassa

Line No.	Customer Classification and Meter Size	Present Rates	Proposed Rates	Percent Change	Meter Flow Ratios 5/8 Inch Meter
1	Monthly Usage Charge for:				
2	Residential, Commercial, Irrigation, Resale and Miscellaneous Customers				
3	5/8 x 3/4 Inch	\$ 22.90	\$ 28.29	23.55%	1
4	3/4 Inch	22.90	42.44	85.33%	1.5
5	1 Inch	57.25	70.73	23.55%	2.5
6	1 1/2 Inch	114.50	141.46	23.55%	5
7	2 Inch	183.20	226.34	23.55%	8
8	3 Inch	366.40	452.69	23.55%	16
9	4 Inch	572.50	707.32	23.55%	25
10	6 Inch	1,145.00	1,414.65	23.55%	50
11	Construction, Bulk, Standpipe	-	-	0.00%	
12					
13	Gallons In Minimum				
14	All Meter Sizes	-	-		
15					
16	Usage Tier 1: Gallons upper limit (over 0 gallons)				
17	but not over stated amount				
18	5/8 x 3/4 Inch All	10,000	Please See Page 2		
19	3/4 Inch All	10,000			
20	1 Inch All	10,000			
21	1.5 Inch All	10,000			
22	2 Inch All	10,000			
23	3 Inch All	10,000			
24	4 Inch All	10,000			
25	6 Inch All	10,000			
26					
27	Usage Tier 2: (Gallon upper limit, up to, but not exceeding)				
28	5/8 x 3/4 Inch All	18,000	Please See Page 2		
29	3/4 Inch All	18,000			
30	1 Inch All	18,000			
31	1.5 Inch All	18,000			
32	2 Inch All	18,000			
33	3 Inch All	18,000			
34	4 Inch All	18,000			
35	6 Inch All	18,000			
36					
37	Usage Tier 3: (Gallon over)				
38	5/8 x 3/4 Inch All	18,001	Please See Page 2		
39	3/4 Inch All	18,001			
40	1 Inch All	18,001			
41	1.5 Inch All	18,001			
42	2 Inch All	18,001			
43	3 Inch All	18,001			
44	4 Inch All	18,001			
45	6 Inch All	18,001			

Increase over present tier 1 rate

**Avra Water Co-op, Inc.**  
Changes in Representative Rates  
Test Year Ended August 31, 2005

Line No.	Meter and Service Line Installation Charges	Present Rates	Proposed Rates
1			
2			
3			
4	Meter Size		
5	5/8 x 3/4 Inch	\$410.00	\$410.00
6	3 / 4 Inch	\$455.00	\$455.00
7	1 Inch	\$520.00	\$520.00
8	1 1/2 Inch	\$740.00	\$740.00
9	2 Inch Turbo	\$1,235.00	\$1,235.00
10	2 Inch - Compound	\$1,800.00	\$1,800.00
11	3 Inch - Turbo	\$1,705.00	\$1,705.00
12	3 Inch - Compound	\$2,340.00	\$2,340.00
13	4 Inch - Turbo	\$2,700.00	\$2,700.00
14	4 Inch - Compound	\$3,405.00	\$3,405.00
15	6 Inch - Turbo	\$5,035.00	\$5,035.00
16	6 Inch - Compound	\$6,510.00	\$6,510.00
17			
18			
19			
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36			



**Avra Water Co-op, Inc.**  
Changes in Representative Rate Schedules  
Test Year Ended August 31, 2005

Line No.	Other Service Charges	Present Rates	Proposed Rates
1	Establishment	\$ 25.00	\$ 25.00
2	Establishment (After Hours)	\$ 50.00	\$ 50.00
3	Reconnection (Delinquent)	\$ 50.00	\$ 50.00
4	Reconnection (After Hours)	\$ 75.00	\$ 75.00
5	Disconnection (Requested)	\$ 20.00	\$ 20.00
6	Meter Test, Calibration or leak detection	\$ 50.00	\$ 50.00
7	Meter Test - Remove Meter & Test (Customer Requested)	\$ 35.00	\$ 35.00
8	if correct	\$ -	\$ -
9	Deposit Requirement (Residential / Commercial)	(a)	(a)
10	Deposit Interest (a)	6.00%	6.00%
11	Re-Establishment (With-in 12 Months)	(b)	(b)
12	NSF Check	\$ 25.00	\$ 25.00
13	Deferred Payment, Per Month	1.5%	1.5%
14	Meter Re-Read, (If correct)	\$ -	\$ -
15	Charge of Moving Customer Meter - Customer Requested	Cost	Cost
16	Late Charge per month (c)	(c)	(c)
17	Hourly Charge for After Hours Service	N/A	Cost
18	Water Line Crossing Paved Road	N/A	(d)
19	Charges for Emergency Service Not Caused by Company	N/A	Cost
20	Line Extension Agreements	Cost	Cost
21	Sprinkler Rate	N/A	(e)
22	Master Metering	(f)	(g)
23	Meter Installation Tampering (Cutting Lock or Angle Meter Stops)	N/A	Cost
24	Off-Site Hook-up Fee	See Page 5	

- (a) Per Rule R14-2-403B  
 (b) Per Rule R14-2-403D. Monthly minimum times the number of months off the system.  
 (c) Greater of \$5.00 or 1.5% of unpaid balance.  
 (d) Customer Expense to be done via contractor with no responsibility to the Water Company  
 (e) 1% of Monthly Minimum for a Comparable Meter Connection, but no less than \$7.00 per month.

(f) Multiple Dwellings on one meter. All dwellings, beyond direct connection which cross property lines, will be charged 100% of monthly minimum, and/or are required to have their own meter. If meter serves more than one dwelling on property, second connection and each additional connection each pay 50% of monthly minimum for 5/8 inch meter. Responsibility for payment remains with master meter customer.

N/A Not Applicable, No Current Tariff

(g) Multiple Dwellings on one meter: All dwellings, beyond direct connection which cross property lines, will be charged 100% of monthly minimum, and/or are required to have their own meter. If meter serves more than one dwelling on property, second connection and each additional connection each pay 50% of monthly minimum for the size meter. Responsibility for Payment remains with master meter customer.

IN ADDITION TO THE COLLECTION OF REGULAR RATES, THE UTILITY WILL COLLECT FROM ITS CUSTOMERS A PROPORTIONATE SHARE OF ANY PRIVILEGE, SALES, USE, FRANCHISE TAX, PER COMMISSION RULE (14-2-409.D 5). ALL ADVANCES AND/OR CONTRIBUTIONS ARE TO INCLUDE LABOR, MATERIALS, OVERHEADS, AND ALL APPLICABLE TAXES.

Avra Water Co-op, Inc.  
Changes in Representative Rate Schedules  
Test Year Ended August 31, 2005

Line	No.		Present	Proposed
	1	<u>Capacity Reservation Charge - Offsite Hook-up Fee</u>		
	2			
	3			
	4			
	5	<u>Meter Size</u>		
	6			
	7	5/8 x 3/4 Inch	\$ 1,875	\$ 1,875
	8	3/4 Inch	\$ 2,250	\$ 2,250
	9	1 Inch	\$ 3,750	\$ 3,750
	10	1.5 Inch	\$ 7,500	\$ 7,500
	11	2 Inch	\$ 12,000	\$ 12,000
	12	3 Inch	\$ 22,500	\$ 22,500
	13	4 Inch	\$ 37,500	\$ 37,500
	14	6 Inch	\$ 75,000	\$ 75,000
	15			
	16			
	17			
	18			
	19			
	20			
	21			
	22			
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	46			

**Avra Water Co-op, Inc.**  
 Bill Comparison at Present and Proposed Rates  
 Customer Classification: 5/8 Inch Meters

Exhibit  
 Schedule H-4  
 Page 1  
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 22.90	\$ 28.29	\$ 5.39	23.55%
1,000	24.63	30.49	5.86	23.80%
2,000	26.36	32.69	6.33	24.02%
3,000	28.09	34.89	6.80	24.22%
4,000	29.82	37.09	7.27	24.39%
5,000	31.55	39.29	7.74	24.54%
6,000	33.28	41.49	8.21	24.68%
7,000	35.01	43.69	8.68	24.80%
8,000	36.74	45.89	9.15	24.91%
9,000	38.47	48.17	9.70	25.21%
10,000	40.20	50.52	10.32	25.67%
12,000	43.94	55.22	11.28	25.67%
14,000	47.68	59.92	12.24	25.67%
16,000	51.42	64.62	13.20	25.67%
18,000	55.16	69.54	14.38	26.07%
20,000	59.04	74.54	15.50	26.26%
25,000	68.74	87.04	18.30	26.63%
30,000	78.44	99.54	21.10	26.90%
35,000	88.14	112.04	23.90	27.12%
40,000	97.84	124.54	26.70	27.29%
50,000	117.24	149.54	32.30	27.55%
60,000	136.64	174.54	37.90	27.74%
70,000	156.04	199.54	43.50	27.88%
80,000	175.44	224.54	49.10	27.99%
90,000	194.84	249.54	54.70	28.08%
100,000	214.24	274.54	60.30	28.15%

**Present Rates:**  
 Monthly Minimum: \$ 22.90  
 Gallons in Minimum -  
 Charge Per 1,000 Gallons  
 Up to 10,000 \$ 1.73  
 Up to 18,000 \$ 1.87  
 Over 18,001 \$ 1.94

**Proposed Rates:**  
 Monthly Minimum: \$ 28.29  
 Gallons in Minimum -  
 Charge Per 1,000 Gallons  
 Up to 8,500 \$ 2.20  
 Up to 16,500 \$ 2.35  
 Over 16,501 \$ 2.50

<u>Average Usage</u>		
9,825	39.90	50.11
		10.21
		25.59%
<u>Median Usage</u>		
6,500	34.15	42.59
		8.45
		24.74%

**Avra Water Co-op, Inc.**  
 Bill Comparison at Present and Proposed Rates  
 Customer Classification: 3/4 Inch Meters

Exhibit  
 Schedule H-4  
 Page 2  
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 22.90	\$ 42.44	\$ 19.54	85.33%
1,000	24.63	44.64	20.01	81.24%
2,000	26.36	46.84	20.48	77.69%
3,000	28.09	49.04	20.95	74.58%
4,000	29.82	51.24	21.42	71.83%
5,000	31.55	53.44	21.89	69.38%
6,000	33.28	55.64	22.36	67.19%
7,000	35.01	57.84	22.83	65.21%
8,000	36.74	60.04	23.30	63.42%
9,000	38.47	62.31	23.84	61.98%
10,000	40.20	64.66	24.46	60.86%
12,000	43.94	69.36	25.42	57.86%
14,000	47.68	74.06	26.38	55.34%
16,000	51.42	78.76	27.34	53.18%
18,000	55.16	83.69	28.53	51.72%
20,000	59.04	88.69	29.65	50.22%
25,000	68.74	101.19	32.45	47.21%
30,000	78.44	113.69	35.25	44.94%
35,000	88.14	126.19	38.05	43.17%
40,000	97.84	138.69	40.85	41.75%
50,000	117.24	163.69	46.45	39.62%
60,000	136.64	188.69	52.05	38.09%
70,000	156.04	213.69	57.65	36.95%
80,000	175.44	238.69	63.25	36.05%
90,000	194.84	263.69	68.85	35.34%
100,000	214.24	288.69	74.45	34.75%

<u>Average Usage</u>				
13,542	46.82	72.99	26.16	55.88%
<u>Median Usage</u>				
6,500	34.15	56.74	22.59	66.17%

**Present Rates:**  
 Monthly Minimum: \$ 22.90  
 Gallons in Minimum -  
 Charge Per 1,000 Gallons  
 Up to 10,000 \$ 1.73  
 Over 18,000 \$ 1.87  
 18,001 \$ 1.94

**Proposed Rates:**  
 Monthly Minimum: \$ 42.44  
 Gallons in Minimum -  
 Charge Per 1,000 Gallons  
 Up to 8,500 \$ 2.20  
 Up to 16,500 \$ 2.35  
 Over 16,501 \$ 2.50

**Avra Water Co-op, Inc.**

Bill Comparison at Present and Proposed Rates  
Customer Classification: 1 Inch Meters

Exhibit  
Schedule H-4  
Page 3  
Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 57.25	\$ 70.73	\$ 13.48	23.55%
1,000	58.98	72.93	13.95	23.66%
2,000	60.71	75.13	14.42	23.76%
3,000	62.44	77.33	14.89	23.85%
4,000	64.17	79.53	15.36	23.94%
5,000	65.90	81.73	15.83	24.02%
6,000	67.63	83.93	16.30	24.11%
7,000	69.36	86.13	16.77	24.18%
8,000	71.09	88.33	17.24	24.25%
9,000	72.82	90.53	17.71	24.32%
10,000	74.55	92.73	18.18	24.39%
12,000	78.29	97.13	18.84	24.07%
14,000	82.03	101.53	19.50	23.77%
16,000	85.77	105.93	20.16	23.51%
18,000	89.51	110.33	20.82	23.26%
20,000	93.39	114.73	21.34	22.85%
25,000	103.09	126.48	23.39	22.69%
30,000	112.79	138.23	25.44	22.56%
35,000	122.49	149.98	27.49	22.44%
40,000	132.19	161.73	29.54	22.35%
50,000	151.59	186.73	35.14	23.18%
60,000	170.99	211.73	40.74	23.83%
70,000	190.39	236.73	46.34	24.34%
80,000	209.79	261.73	51.94	24.76%
90,000	229.19	286.73	57.54	25.11%
100,000	248.59	311.73	63.14	25.40%

<u>Average Usage</u>				
15,126	84.13	104.01	19.87	23.62%
<u>Median Usage</u>				
13,000	80.16	99.33	19.17	23.92%

**Present Rates:**  
Monthly Minimum: \$ 57.25  
Gallons in Minimum -  
Charge Per 1,000 Gallons  
Up to 10,000 \$ 1.73  
Over 18,000 \$ 1.87  
18,001 \$ 1.94

**Proposed Rates:**  
Monthly Minimum: \$ 70.73  
Gallons in Minimum -  
Charge Per 1,000 Gallons  
Up to 20,000 \$ 2.20  
Up to 40,000 \$ 2.35  
Over 40,001 \$ 2.50

**Avra Water Co-op, Inc.**  
 Bill Comparison at Present and Proposed Rates  
 Customer Classification 1 1/2 Inch Meters

Exhibit  
 Schedule H-4  
 Page 4  
 Witness: Bourassa

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 114.50	\$ 141.46	\$ 26.96	23.55%
1,000	116.23	143.66	27.43	23.60%
2,000	117.96	145.86	27.90	23.66%
3,000	119.69	148.06	28.37	23.71%
4,000	121.42	150.26	28.84	23.76%
5,000	123.15	152.46	29.31	23.80%
6,000	124.88	154.66	29.78	23.85%
7,000	126.61	156.86	30.25	23.90%
8,000	128.34	159.06	30.72	23.94%
9,000	130.07	161.26	31.19	23.98%
10,000	131.80	163.46	31.66	24.02%
12,000	135.54	167.86	32.32	23.85%
14,000	139.28	172.26	32.98	23.68%
16,000	143.02	176.66	33.64	23.52%
18,000	146.76	181.06	34.30	23.37%
20,000	150.64	185.46	34.82	23.12%
25,000	160.34	197.21	36.87	23.00%
30,000	170.04	208.96	38.92	22.89%
35,000	179.74	220.71	40.97	22.80%
40,000	189.44	232.46	43.02	22.71%
50,000	208.84	257.46	48.62	23.28%
60,000	228.24	282.46	54.22	23.76%
70,000	247.64	307.46	59.82	24.16%
80,000	267.04	332.46	65.42	24.50%
90,000	286.44	357.46	71.02	24.80%
100,000	305.84	382.46	76.62	25.05%

<u>Average Usage</u>	<u>392.87</u>	<u>494.62</u>	<u>101.75</u>	<u>25.90%</u>
<u>Median Usage</u>	<u>247.64</u>	<u>307.46</u>	<u>59.82</u>	<u>24.16%</u>
70,000				

**Present Rates:**  
 Monthly Minimum: \$ 114.50  
 Gallons in Minimum -  
 Charge Per 1,000 Gallons  
 Up to 10,000 \$ 1.73  
 Up to 18,000 \$ 1.87  
 Over 18,001 \$ 1.94

**Proposed Rates:**  
 Monthly Minimum: \$ 141.46  
 Gallons in Minimum -  
 Charge Per 1,000 Gallons  
 Up to 20,000 \$ 2.20  
 Up to 40,000 \$ 2.35  
 Over 40,001 \$ 2.50

Avra Water Co-op, Inc.  
Bill Comparison at Present and Proposed Rates  
Customer Classification: 2 Inch Meters

Usage	Present Bill	Proposed Bill	Dollar Increase	Percent Increase
-	\$ 183.20	\$ 226.34	\$ 43.14	23.55%
1,000	184.93	228.54	43.61	23.58%
2,000	186.66	230.74	44.08	23.62%
3,000	188.39	232.94	44.55	23.65%
4,000	190.12	235.14	45.02	23.68%
5,000	191.85	237.34	45.49	23.71%
6,000	193.58	239.54	45.96	23.74%
7,000	195.31	241.74	46.43	23.77%
8,000	197.04	243.94	46.90	23.80%
9,000	198.77	246.14	47.37	23.83%
10,000	200.50	248.34	47.84	23.86%
12,000	204.24	252.74	48.50	23.75%
14,000	207.98	257.14	49.16	23.64%
16,000	211.72	261.54	49.82	23.53%
18,000	215.46	265.94	50.48	23.43%
20,000	219.34	270.34	51.00	23.25%
25,000	229.04	282.09	53.05	23.16%
30,000	238.74	293.84	55.10	23.08%
35,000	248.44	305.59	57.15	23.00%
40,000	258.14	317.34	59.20	22.93%
50,000	277.54	342.34	64.80	23.35%
60,000	296.94	367.34	70.40	23.71%
70,000	316.34	392.34	76.00	24.03%
80,000	335.74	417.34	81.60	24.31%
90,000	355.14	442.34	87.20	24.55%
100,000	374.54	467.34	92.80	24.78%
<b>Average Usage</b> 290,792	<b>744.68</b>	<b>944.32</b>	<b>199.65</b>	<b>26.81%</b>
<b>Median Usage</b> 19,000	<b>217.40</b>	<b>268.14</b>	<b>50.74</b>	<b>23.34%</b>

**Present Rates:**  
Monthly Minimum: \$ 183.20  
Gallons in Minimum -  
Charge Per 1,000 Gallons  
Up to 10,000 \$ 1.73  
Over 18,000 \$ 1.87  
18,001 \$ 1.94

**Proposed Rates:**  
Monthly Minimum: \$ 226.34  
Gallons in Minimum -  
Charge Per 1,000 Gallons  
Up to 20,000 \$ 2.20  
Up to 40,000 \$ 2.35  
Over 40,001 \$ 2.50

**Avra Water Co-op, Inc.**  
Bill Comparison at Present and Proposed Rates  
Customer Classification: 4 Inch Meters

<u>Usage</u>	<u>Present Bill</u>	<u>Proposed Bill</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
-	\$ 572.50	\$ 707.32	\$ 134.82	23.55%
1,000	574.23	709.52	135.29	23.56%
2,000	575.96	711.72	135.76	23.57%
3,000	577.69	713.92	136.23	23.58%
4,000	579.42	716.12	136.70	23.59%
5,000	581.15	718.32	137.17	23.60%
6,000	582.88	720.52	137.64	23.61%
7,000	584.61	722.72	138.11	23.62%
8,000	586.34	724.92	138.58	23.64%
9,000	588.07	727.12	139.05	23.65%
10,000	589.80	729.32	139.52	23.66%
12,000	593.54	733.72	140.18	23.62%
14,000	597.28	738.12	140.84	23.58%
16,000	601.02	742.52	141.50	23.54%
18,000	604.76	746.92	142.16	23.51%
20,000	608.64	751.32	142.68	23.44%
25,000	618.34	763.07	144.73	23.41%
30,000	628.04	774.82	146.78	23.37%
35,000	637.74	786.57	148.83	23.34%
40,000	647.44	798.32	150.88	23.30%
50,000	666.84	823.32	156.48	23.47%
60,000	686.24	848.32	162.08	23.62%
70,000	705.64	873.32	167.68	23.76%
80,000	725.04	898.32	173.28	23.90%
90,000	744.44	923.32	178.88	24.03%
100,000	763.84	948.32	184.48	24.15%
<b>Average Usage</b>	<b>676.46</b>	<b>835.72</b>	<b>159.26</b>	<b>23.54%</b>
<b>Median Usage</b>	<b>676.54</b>	<b>835.82</b>	<b>159.28</b>	<b>23.54%</b>

**Present Rates:**  
Monthly Minimum: \$ 572.50  
Gallons in Minimum -  
Charge Per 1,000 Gallons  
Up to 10,000 \$ 1.73  
Over 18,000 \$ 1.87  
18,001 \$ 1.94

**Proposed Rates:**  
Monthly Minimum: \$ 707.32  
Gallons in Minimum -  
Charge Per 1,000 Gallons  
Up to 20,000 \$ 2.20  
Up to 40,000 \$ 2.35  
Over 40,001 \$ 2.50



Usage From:	Usage To:	Month of Sept. 04	Month of Oct.	Month of Nov.	Month of Dec.	Month of Jan-05	Month of Feb.	Month of March	Month of April	Month of May	Month of June	Month of July	Month of Aug.	Total Totals	Cumul- ative Billing
1	1,000	39	50	26	56	53	20	12	34	49	32	17	44	432	432
1,001	2,000	91	95	134	125	125	133	139	123	85	85	60	64	1,259	1,691
2,001	3,000	162	133	164	277	241	290	289	151	112	155	105	134	2,213	3,904
3,001	4,000	239	171	229	301	241	274	370	172	138	125	129	138	2,527	6,431
4,001	5,000	135	202	262	313	270	308	305	241	177	155	157	165	2,690	9,121
5,001	6,000	162	190	239	260	254	309	264	236	223	153	169	176	2,635	11,756
6,001	7,000	158	180	224	258	258	249	231	189	169	180	185	167	2,448	14,204
7,001	8,000	176	160	196	198	194	206	201	162	143	132	162	153	2,083	16,287
8,001	9,000	128	135	172	167	167	152	131	175	126	117	161	100	1,731	18,018
9,001	10,000	137	124	127	72	127	101	103	137	117	118	201	70	1,472	19,490
10,001	12,000	100	111	96	57	121	101	82	103	113	112	119	107	1,222	20,712
12,001	14,000	195	171	131	119	107	90	122	182	207	189	123	189	1,825	22,537
14,001	16,000	137	154	102	77	99	57	60	136	153	153	92	175	1,395	23,932
16,001	18,000	104	101	126	43	59	44	48	103	121	121	77	168	1,131	25,063
18,001	20,000	106	98	107	43	49	22	33	81	103	103	136	125	1,011	26,074
20,001	25,000	80	138	66	26	26	16	32	47	108	90	122	108	854	26,928
25,001	30,000	77	104	55	38	25	43	33	98	82	130	83	114	882	27,810
30,001	35,000	86	40	27	25	25	20	14	59	58	103	77	75	609	28,419
35,001	40,000	61	32	8	15	15	6	7	32	52	70	75	78	451	28,870
40,001	50,000	37	50	7	7	7	2	5	5	45	43	77	60	345	29,215
50,001	60,000	38	30	5	11	9	4	8	14	49	49	56	35	308	29,523
60,001	70,000	27	16	2	4	4	3	4	11	42	40	39	19	211	29,734
70,001	80,000	11	6	3	2	2	2	2	6	16	15	31	24	120	29,854
80,001	90,000	5	6	3	0	1	0	0	2	8	22	38	12	97	29,951
90,001	100,000	2	3	2	1	0	1	1	0	6	6	17	5	44	29,995
Over 100,000 gallons														9	30,004
103,400	103,400													0	30,004
105,500	105,500													1	30,005
106,400	106,400													1	30,006
107,400	107,400													1	30,007
114,600	114,600													1	30,008
115,000	115,000													1	30,009
116,700	116,700													1	30,010
119,100	119,100													1	30,011
121,200	121,200													1	30,012
126,600	126,600													1	30,013
129,200	129,200													1	30,014
135,800	135,800													1	30,015
141,600	141,600													1	30,016
143,800	143,800													1	30,017
188,500	188,500													1	30,018
273,600	273,600													1	30,019
419,000	419,000													1	30,020
514,900	514,900													1	30,021
Totals		2,493	2,500	2,513	2,511	2,479	2,491	2,498	2,503	2,503	2,513	2,513	2,505	30,022	30,022
														Average Number of Customers	
														2,502	
														Average Usage	
														9,825	
														Median Usage	
														6,500	

**Avra Water Co-op, Inc.**  
 Test Year Ended August 31, 2005  
 Customer Classification: 3/4 Inch Meters  
 Bill Count

Exhibit  
 Schedule H-5  
 Page 2  
 Witness: Bourassa

Usage	From	To	Month of Sept. 04	Month of Oct.	Month of Nov.	Month of Dec.	Month of Jan-05	Month of Feb.	Month of March	Month of April	Month of May	Month of June	Month of July	Month of Aug.	Total Totals	Cumulative Billing
1	-	1,000	1				1	1	1	1	1	1	1	1	4	4
1,001	1,000	2,000	1	1	1	1	1	1	1	1	1	1	1	1	12	7
2,001	2,000	3,000													1	19
3,001	3,000	4,000	2				1	1	1	2				1	7	20
4,001	4,000	5,000		1	1	1	1	1	2	1	1	1	1		7	27
5,001	5,000	6,000				3	1	2	1	1	1	1	1	1	10	34
6,001	6,000	7,000		2	3	1	1	2	2	1	2	2	1	1	16	44
7,001	7,000	8,000		1	1		1	1	1		1	1	1	1	5	60
8,001	8,000	9,000	3												5	65
9,001	9,000	10,000									1	1	1		5	70
10,001	10,000	12,000					2			1					2	72
12,001	12,000	14,000				1									4	76
14,001	14,000	16,000													1	77
16,001	16,000	18,000			1									1	1	78
18,001	18,000	20,000													1	79
20,001	20,000	25,000			1								1	1	0	79
25,001	25,000	30,000						1			1				3	82
30,001	30,000	35,000										1			1	83
35,001	35,000	40,000						1							2	85
40,001	40,000	50,000													0	85
50,001	50,000	60,000					1		1		1				4	89
60,001	60,000	70,000				1						1			2	91
70,001	70,000	80,000			1									1	1	92
80,001	80,000	90,000													1	93
90,001	90,000	100,000	1	1									1		3	96
Over 100,000 gallons															0	96
Totals			8	8	8	8	8	8	8	8	8	8	8	8	96	96

Average Number of Customers

Average Usage

Median Usage

8  
13,542  
6,500

Avra Water Co-op, Inc.  
Test Year Ended August 31, 2005  
Customer Classification: 1 Inch Meters  
Bill Count

Exhibit  
Schedule H-5  
Page 3  
Witness: Bourassa

Usage From:	To:	Month of Sept. 04	Month of Oct.	Month of Nov.	Month of Dec.	Month of Jan-05	Month of Feb.	Month of March	Month of April	Month of May	Month of June	Month of July	Month of Aug.	Total Totals	Cumul- ative Billing
1	1,000	1		1	1	1									4
1,001	2,000		1				1	1						3	7
2,001	3,000				1	1	1							4	11
3,001	4,000	1		1					2			1	1	7	18
4,001	5,000		1							1				2	20
5,001	6,000			1										1	21
6,001	7,000		1		1			1		1		1		6	27
7,001	8,000					2	1	1	1					5	32
8,001	9,000	2				1	2	1	1					7	39
9,001	10,000			1	1									2	41
10,001	12,000		1		1	1		1	1	2				7	48
12,001	14,000			2	2	1	1	2		1		1	2	12	60
14,001	16,000	2	2	1				1			2	1		9	69
16,001	18,000	1			1	1	2	1	1	1	1	1	2	11	80
18,001	20,000						1				2		1	2	82
20,001	25,000		2	1			1	1	3	1	2	3		14	96
25,001	30,000				1	1				1				3	99
30,001	35,000												1	1	100
35,001	40,000	1	1							1			1	4	104
40,001	50,000													0	104
50,001	60,000	1										1		2	106
60,001	70,000			1							1			1	107
70,001	80,000													1	108
80,001	90,000													0	108
90,001	100,000													0	108
Over 100,000 gallons														0	108
Totals		9	9	9	9	9	9	9	9	9	9	9	9	108	

Average Number of Customers  
Average Usage  
Median Usage

9  
15,126  
13,000

Exhibit  
Schedule H-5  
Page 4  
Witness: Bourassa

Usage																Cumulative Billing
From:	To:	Month of Sept. 04	Month of Oct.	Month of Nov.	Month of Dec.	Month of Jan-05	Month of Feb.	Month of March	Month of April	Month of May	Month of June	Month of July	Month of Aug.	Total Year		
-	-	1										1	1	1	3	
1,001	1,000														0	
2,001	2,000														0	
3,001	3,000														0	
4,001	4,000	1	1		1	1	1	1	1						7	
5,001	5,000			1											2	
6,001	6,000													1	1	
7,001	7,000														0	
8,001	8,000														0	
9,001	9,000														0	
10,001	10,000														0	
11,001	11,000														0	
12,001	12,000														0	
13,001	13,000														0	
14,001	14,000														0	
15,001	15,000														0	
16,001	16,000														0	
17,001	17,000														0	
18,001	18,000														0	
19,001	19,000														0	
20,001	20,000														0	
21,001	21,000														0	
22,001	22,000														0	
23,001	23,000														0	
24,001	24,000														0	
25,001	25,000														0	
26,001	26,000														0	
27,001	27,000														0	
28,001	28,000														0	
29,001	29,000														0	
30,001	30,000														0	
31,001	31,000														0	
32,001	32,000														0	
33,001	33,000														0	
34,001	34,000														0	
35,001	35,000														0	
36,001	36,000														0	
37,001	37,000														0	
38,001	38,000														0	
39,001	39,000														0	
40,001	40,000														0	
41,001	41,000														0	
42,001	42,000														0	
43,001	43,000														0	
44,001	44,000														0	
45,001	45,000														0	
46,001	46,000														0	
47,001	47,000														0	
48,001	48,000														0	
49,001	49,000														0	
50,001	50,000														0	
51,001	51,000														0	
52,001	52,000														0	
53,001	53,000														0	
54,001	54,000														0	
55,001	55,000														0	
56,001	56,000														0	
57,001	57,000														0	
58,001	58,000														0	
59,001	59,000														0	
60,001	60,000														0	
61,001	61,000														0	
62,001	62,000														0	
63,001	63,000														0	
64,001	64,000														0	
65,001	65,000														0	
66,001	66,000														0	
67,001	67,000														0	
68,001	68,000														0	
69,001	69,000														0	
70,001	70,000														0	
71,001	71,000														0	
72,001	72,000														0	
73,001	73,000														0	
74,001	74,000														0	
75,001	75,000														0	
76,001	76,000														0	
77,001	77,000														0	
78,001	78,000														0	
79,001	79,000														0	
80,001	80,000														0	
81,001	81,000														0	
82,001	82,000														0	
83,001	83,000														0	
84,001	84,000														0	
85,001	85,000														0	
86,001	86,000														0	
87,001	87,000														0	
88,001	88,000														0	
89,001	89,000														0	
90,001	90,000														0	
91,001	91,000														0	
92,001	92,000														0	
93,001	93,000														0	
94,001	94,000														0	
95,001	95,000														0	
96,001	96,000														0	
97,001	97,000														0	
98,001	98,000														0	
99,001	99,000														0	
100,001	100,000														0	
Over 100,000	gallons														0	
121,200	121,200														0	
132,500	132,500														0	
140,700	140,700														0	
142,900	142,900														0	
147,500	147,500														0	
258,900	258,900														0	
328,700	328,700														0	
419,000	419,000														0	
437,700	437,700														0	
438,400	438,400														0	
475,800	475,800														0	
494,500	494,500														0	
550,300	550,300														0	
570,900	570,900														0	
-	-														0	
		3	3	3	3	3	3	3	3	3	3	3	3	3	36	
		Average Usage														144,861
		Median Usage														70,000

Exhibit  
Schedule H-5  
Page 5  
Witness: Bourassa

**Customer Classification: 2 Inch Meters**

**Customer Classification: 2 Inch Meters**

Bill Count

Usage		Cumulative Billing
From:	To:	
-	-	0
1	1,000	0
1,001	2,000	0
2,001	3,000	0
3,001	4,000	0
4,001	5,000	2
5,001	6,000	2
6,001	7,000	4
7,001	8,000	4
8,001	9,000	4
9,001	10,000	4
10,001	12,000	5
12,001	14,000	6
14,001	16,000	10
16,001	18,000	14
18,001	20,000	16
20,001	25,000	2
25,001	30,000	4
30,001	35,000	4
35,001	40,000	20
40,001	50,000	24
50,001	60,000	24
60,001	70,000	24
70,001	80,000	24
80,001	90,000	24
90,001	100,000	24
Over 100,000 gallons		1
313,600	313,600	25
315,900	315,900	26
435,400	435,400	27
662,900	662,900	28
709,400	709,400	1
846,600	846,600	1
980,700	980,700	30
1,339,500	1,339,500	31
1,350,400	1,350,400	32
1,445,300	1,445,300	1
1,621,300	1,621,300	33
-	-	34
-	-	35
-	-	36
-	-	0

Average Usage  
Median Usage

Exhibit  
Schedule H-5  
Page 6  
Witness: Bourassa

[illegible]



1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2  
3 IN THE MATTER OF THE APPLICATION OF  
4 AVRA WATER CO-OP, INC., AN ARIZONA  
5 CORPORATION, FOR A DETERMINATION  
6 OF THE CURRENT FAIR VALUE OF ITS  
7 UTILITY PLANT AND PROPERTY AND FOR  
8 INCREASES IN ITS RATES AND CHARGES  
9 FOR UTILITY SERVICE.

DOCKET NO. W02126A-06-

10  
11  
12  
13 **DIRECT TESTIMONY OF**  
14 **CHRIS WARD**  
15 **ON BEHALF OF AVRA WATER CO-OP**  
16  
17  
18  
19  
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23



1  
2  
3 **Avra Water Cooperative, Inc.**  
4 **2004 Rate Application**  
5 **Docket No.**  
6 **W-02126A-06-0**

7 **Direct Pre-filed Testimony**  
8 **Chris Ward**

9 1. Please state your name and business address.

10 **A. Chris Ward, 11821 Picture Rock Road, Tucson, Arizona 85743**

11 2. By whom are you employed and in what capacity?

12 **A. I am employed by Avra Water Cooperative, Inc. as the General Manager of**  
13 **the Company.**

14 3. How long have you been so employed?

15 **A. I have been with the Company for approximately 8 years.**

16 4. Please give a brief resume' of your education and experience as it relates to the utility  
17 business.

18 **A. I have been involved in the Water Industry since 1984 and have held**  
19 **positions from Meter Reader to General Manager, I currently hold Arizona Department of**  
20 **Environmental Quality certifications in Water Distribution, Grade 4 and Water Treatment**  
21 **Grade 2**

22 5. Will you please describe for the record the location of the Avra Water Cooperative water  
23 system?

1           A.     Avra Water is a community-owned domestic water provider located in Avra  
2 Valley, Pima County, Arizona. Avra Water is located west of the Tucson Mountains  
3 adjacent to the Saguaro National Park on the northwest side of the Tucson metropolitan  
4 area. Our service area of 12.48 square miles is composed of four noncontiguous but closely  
5 spaced areas, all located within unincorporated Pima County. (Sections  
6 1,3,4,5,7,8,9,10,11,12,16,18,19 and 20 in T-13-S, R-11-E also Sections 33, 34 and 35 in T-12-  
7 E, R-11-E.)

8       6.     Please describe the service area and Company operations.

9           A.     Avra provides water service to approximately 2,529 active water accounts  
10 with an estimated population of 8,000 people at the end of the test year. The service area is  
11 a "bedroom" community composed primarily of mobile homes on 1 – 5 acres of land.  
12 Average cost of such housing ranges from \$60,000 to \$150,000. Prices for site-built homes  
13 in the service area range from \$80,000 to \$300,000. Water is supplied from seven deep  
14 wells through five storage reservoirs, six booster pump stations, and approximately 80  
15 miles of distribution mains. The water pumping and distribution system is controlled by a  
16 SCADA system utilizing FM radio telemetry. All of Avra's 2,529 customers are metered.  
17 There are only 24 bills for meters larger than a 5/8 Inch meter. Of the larger metered  
18 accounts, 36% are categorized as government agencies. AWC provides water to the  
19 Picture Rocks Fire Department, two schools, Pima County Sheriff's Department and the  
20 Picture Rocks Health Center. AWC has one commercial account which is a plant nursery  
21 that provides about 2% of the Company's annual revenue. The Avra Water staff currently  
22 consists of a General Manager and seven other full time employees in two departments.  
23 The Operations Department consists of four Distribution Operators. The Administration

1 Department consists of a Customer Service Technician, an Administrative Assistant and a  
2 part-time Water Conservation Technician.

3 7. Are you familiar with the Application that has been submitted in this Docket and marked  
4 as Exhibit A-1?

5 A. Yes, I am.

6 8. Will you please explain the basic factual issue describing the need for this increase?

7 A. The rate increase is needed to fund debt repayment Avra Water Co-op  
8 (AWC) has incurred in changing the supply and distribution system to comply with the  
9 new Arsenic rules. AWC will be drilling three new wells to replace the older high arsenic  
10 wells, this along with higher production of these wells will help AWC meet ADEQ peak day  
11 demands. This project also includes two water storage tanks (one will be a 300,000 to  
12 replace a small 50,000 older tank, one will be a new 500,000 tank) along with  
13 approximately 24,000 feet of new pipeline to handle the increased well capacity and get the  
14 new well water to the distribution system. An arsenic treatment facility is also included, if  
15 needed as the new wells may come in with higher arsenic levels then the standard after  
16 initial pumping. Repayment of the debt will cause AWC to start operating at a net loss.  
17 AWC currently has money in savings, which could cover the debt for awhile, however the  
18 Co-op is self-insured which means it needs to maintain enough funds on hand to cover a  
19 major loss should one should occur, i.e., if one of the large reservoirs needed to be replaced.  
20 AWC needs to maintain at least \$290,000 to remain self-insured. Included in this figure is  
21 30 days of Operating and Maintenance Expenses, plus General and Administrative  
22 Expenses. If these funds were used for the repayment of debt, the Company's equity would  
23 start to erode. The new arsenic rules have had a significant impact on AWC, as arsenic

1 levels exceed the MCL in six out of seven existing wells. Changes that are being done to the  
2 distribution system relate to conforming to the new arsenic standard as well as providing  
3 adequate supplies of water to the AWC customers. Adequate water supplies are required  
4 not only for drinking water and other potable uses, but for use in evaporative cooling of  
5 homes during the summer months, which is heavily relied upon in AWC's service area.  
6 AWC is a rural community that has a large population of horse or livestock owners that  
7 use considerable amounts of water. The health and safety of the customers served by the  
8 current distribution system is compromised because the system does not meet minimum  
9 requirements and engineering standards for source and storage as required by ADEQ.  
10 The changes are also needed to provide sufficient pressure within the water system for  
11 backflow prevention. Additionally, storage is lacking within the water system, which  
12 effects system reliability during peak demands or in the case of a well outage. Fuel cost for  
13 AWC's vehicles is also taxing our operating budget. AWC's Purchased Power provider  
14 was approved for a rate increase in 2005. This has a large impact, as Purchased Power is  
15 17% of our operating budget. Finally, the co-op needs to start accumulating equity for  
16 capital payments under the CAP contract which is needed to serve existing and future  
17 customers.

18 9. You indicated that the Arsenic Treatment issue has partially caused the need for this  
19 increase. Will you please expand on that project?

20 A. Yes. AWC has currently secured a loan from the Water Infrastructure Finance  
21 Authority (WIFA) for 1.9 million dollars and has spent approximately 51% to date on a  
22 replacement 300,000 water storage tank, a new well (arsenic level at 6 ppm) and design,  
23 engineering and environmental investigation. Additional funding is being provided by two

1 United States Department of Agriculture Rural Development (RD) loan and grant  
2 packages, the first of these is scheduled to close in April 2006 for \$1.66 million Loan and  
3 \$1.36 million in Grant monies. These funds will be used entirely on the 24,100 feet of new  
4 waterline in the project. The Letter of Conditions on the second phase is on schedule to be  
5 signed in late April or early May, this includes \$1.74 million Loan and \$1.42 million Grant  
6 those monies will be used to drill the next two wells and connect them to the system. Funds  
7 are included on this portion for Arsenic treatment facilities.

8  
9 10. Do you have a schedule that describes the components of this project, including the  
10 estimated in-service dates of those facilities?

11 A. Yes. Attached to this testimony is a chart showing those phases of the  
12 construction, their funding, their status, and in-service date. Please note they are all  
13 scheduled to be in service before the hearing in this matter, and well before the effective  
14 date of the new rates.

15 11. Has your Board, and the membership of Avra, approved the inclusion of these facilities in  
16 this rate application?

17 A. Absolutely. They realize the importance of compliance with the Arsenic  
18 requirements, and have been working on this through the engineering and financing  
19 requirements and approvals needed for many months, including the Commission's  
20 approval of the WIFA and Rural Development loans. This is the final step in implementing  
21 this long and complicated compliance program.

22 12. Q. Please comment on the proposed rate design.  
23

1           A.     AWC wanted to choose a rate design that encourages water conservation and  
2 is the most equitable to its customers. AWC has a concern about increasing the rates for  
3 commercial users and how to apply the increases. Since one commercial account provides  
4 about 2% of our annual revenue, AWC wanted to be sure that it did not increase rates to  
5 the point of driving away this customer. The annual revenue of this account is between  
6 \$30,000 to \$35,000. AWC would need between 60 and 80 new customers if this account  
7 were lost. AWC has only seen a 1% growth rate over the past three years, so providing  
8 water for 60 to 80 new accounts, is highly unlikely based on the historical growth.  
9 Customer growth during the test year was less than 15 customers.

10 12.   Does this conclude your testimony?

11           A.     Yes, it does.  
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23

# AVRA PRELIMINARY ENGINEERING REPORT PROJECT PHASING

Project Priority	Phase	Start Year	Funding	Project	Total Cost	where the unspent is going NARUC acct.	Unspent as of 8/31/05	Estimated Completion	Phase Cost	Cumulative Cost
1	1A	2004/2005	WIFA	16-inch pipeline routing study	\$50,000					\$50,000
2	1A	2003/2004	WIFA	Well siting analysis	\$50,000					\$100,000
3	1A	2003/2004	WIFA	Property acquisition (well site/assessments)	\$100,000	93.7% 303	\$93,699 Jan. 07	Jan. 07		\$200,000
4	1A	2003/2004	WIFA	Environmental investigation	\$50,000	50% 305	\$25,242 Jan. 07	Jan. 07		\$250,000
5	1B	2003/2004	WIFA	Test well and testing	\$170,000					\$420,000
6	1B	2003/2004	WIFA	1st well drilling	\$300,000	20% 307	\$60,000 Jan. 07	Jan. 07		\$720,000
7	1B	2004/2005	WIFA	Aquifer testing, geophysical testing and sampling	\$35,000					\$755,000
8	1B	2005/2006	WIFA	Well site construction	\$300,000	100% 307	\$300,000 Jan. 07	Jan. 07		\$1,055,000
9	1B	2005/2006	WIFA	Forebay and transfer booster station	\$600,000	50% 305, 50% 311	\$600,000 Jan. 07	Jan. 07		\$1,655,000
10	1C	2003/2004	WIFA/Avra	Rudasill Reservoir	\$315,000		\$1,078,941		\$1,970,000	\$1,970,000
11	2	2005/2006	RD	Rudasill Reservoir 12-inch C Zone Pipeline (6,000 lf)	\$675,000	100% 331	\$675,000 Sept. 06	Sept. 06		\$2,645,000
12	2	2005/2006	RD	16-inch pipeline - Sanders to well site (10,100 lf)	\$1,530,000	100% 331	\$1,530,000 Oct. 06	Oct. 06		\$4,175,000
13	2	2005/2006	RD	12-inch pipeline - Sandario to Sanders (5,300 lf)	\$595,000	100% 331	\$595,000 Oct. 06	Oct. 06		\$4,770,000
14	3	2005/2006	RD	8-inch distribution system pipeline (2,700 lf)	\$185,000	100% 331	\$185,000 Sept. 06	Sept. 06		\$4,955,000
15	2	2005/2006	RD	Noel Booster Station Upgrade	\$50,000	100% 311	\$50,000 Oct. 06	Oct. 06	\$3,035,000	\$5,005,000
16	3	2006/2007	RD	Well drilling, testing, and construction - 2nd well	\$775,000	100% 307	\$775,000 Feb. 07	Feb. 07		\$5,780,000
17	3	2006/2007	RD	12-inch Well collection pipeline - 2nd well (2,700 lf)	\$375,000	100% 331	\$375,000 Feb. 07	Feb. 07		\$6,155,000
18	3	2006/2007	RD	Well drilling, testing, and construction - 3rd well	\$775,000	100% 307	\$775,000 Mar. 07	Mar. 07		\$6,930,000
19	3	2006/2007	RD	Arsenic treatment facility (if required)	\$1,200,000	100% 320	\$1,200,000 Mar. 07	Mar. 07	\$3,125,000	\$8,130,000
					\$8,130,000				\$8,130,000	





1                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2

3

4       IN THE MATTER OF THE APPLICATION

5       OF AVRA WATER CO-OP, INC., AN

6       ARIZONA CORPORATION, FOR A

7       DETERMINATION OF THE CURRENT

8       FAIR VALUE OF ITS UTILITY PLANT

9       AND PROPERTY AND FOR INCREASES

10       IN ITS RATES AND CHARGES FOR

11       UTILITY SERVICE.

DOCKET NO. W02126A-06-

12

13

14

15

16                   **DIRECT TESTIMONY OF**

17                   **THOMAS J. BOURASSA**

18                   **ON BEHALF OF AVRA WATER CO-OP**

19

20

21

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26

**EXHIBIT C**

1  
2 **I. INTRODUCTION AND QUALIFICATIONS.**

3 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

4 A. My name is Thomas J. Bourassa. My business address is 139 W. Wood Drive,  
5 Phoenix, Arizona 85029.

6 **Q. WHAT IS YOUR PROFESSION AND BACKGROUND?**

7 A. I am a Certified Public Accountant and am self-employed, providing consulting  
8 services to utility companies as well as general accounting services. I have a B.S.  
9 in Chemistry/Accounting from Northern Arizona University (1980) and an  
10 M.B.A. with an emphasis in Finance from the University of Phoenix (1991).

11 **Q. COULD YOU BRIEFLY SUMMARIZE YOUR PRIOR WORK AND**  
12 **REGULATORY EXPERIENCE?**

13 A. Yes. I was employed by High-Tech Institute, Inc., and served as controller and  
14 chief financial officer, prior to becoming a private consultant. Prior to working  
15 for High-Tech Institute, I worked as a division controller for the Apollo Group,  
16 Inc. Before joining the Apollo Group, I was employed at Kozoman & Kermode,  
17 CPAs. In that position, I prepared compilations and other write-up work for water  
18 and wastewater utilities, as well as tax returns.

19 In my private practice, I have prepared and/or assisted in the preparation of  
20 several water and wastewater utility rate applications before the Arizona  
21 Corporation Commission ("Commission"), including Vail Water Company, E&T  
22 Water Company, Ponderosa Utility Company, Diablo Village Water Company,  
23 New River Utility Company, Far West Water & Sewer, Sedona Venture Water  
24 and Sewer, Bella Vista Water Company, Rio Verde Utilities, Gold Canyon Sewer  
25 Company, Green Valley Water Company, the Town of Oro Valley, Beardsley  
26 Water Company, Livco Water and Sewer Company, Pine Water Company,

1 Arizona-American Water Company, Chaparral City Water Company, Valley  
2 Utilities Water Company, Black Mountain Sewer Company, and Goodman Water  
3 Company.

4 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

5 A. I am testifying in this proceeding on behalf of the applicant, Avra Water Co-Op  
6 ("AWC" or "the Company"). AWC is seeking increases in its rates and charges  
7 for water utility service in its certificated service area in Pima County.

8 **II. OVERVIEW OF THE COMPANY'S APPLICATION.**

9 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

10 A. I will testify in support of the Company's proposed rates. I am sponsoring  
11 Schedules A through H, which are filed concurrently herewith in support of the  
12 Company's application. I was responsible for the preparation of these schedules  
13 based on my investigation and review of the relevant books and records for the  
14 Company.

15 **Q. PLEASE SUMMARIZE THE COMPANY'S APPLICATION.**

16 A. The test year used by AWC is the 12-month period which ended August 31, 2005.  
17 Since the Company is a member owned non-profit co-operative, a cost of capital  
18 analysis has not been performed. Instead, the revenue requirement is determined  
19 based on an operating margin approach.

20 The Company proposes a 19 percent operating margin which will provide  
21 revenues sufficient to service long-term debt on system upgrades intended to  
22 allow the Company to address system capacity and storage as well as water  
23 quality concerns related to the new arsenic standards issued by the Federal  
24 Environmental Protection Agency, effective January 2006. The operating margin  
25 requested will also provide sufficient funds for on-going operating expenses,  
26 purchase of a Central Arizona ("CAP") allocation and other expected capital

1 requirements.

2 To fund the plant upgrades the Company currently has approval to issue  
3 debt from the Water Infrastructure Finance Authority ("WIFA") and the United  
4 States Department of Agriculture Rural Development ("Rural Development") for  
5 \$3,126,193 (Decision 64008 , September 4, 2001) and from the United States  
6 Department of Agriculture Rural Development ("Rural Development") for  
7 \$2,144,344 (Decision 67159, August 10, 2004). In addition, the Company  
8 expects to obtain approximately \$2,792,250 in grants from Rural Development.  
9 For further details, see the Direct Testimony of Christopher Ward.

10 The Company has proposed certain pro forma adjustments to take into  
11 account known and measurable changes to rate base, expenses and revenues.  
12 These pro forma adjustments are consistent with normal ratemaking and with the  
13 Commission's rules and regulations. They are also necessary to obtain a normal  
14 or realistic relationship between revenues, expenses and rate base.

15 The Company's fair value rate base is approximately \$7,011,440. The  
16 increase in revenues to provide a 19 percent operating margin is approximately  
17 \$328,217, an increase of approximately 24.36 percent over the adjusted and  
18 annualized test year revenues. The 18 percent operating margin results in a  
19 4.54% return on fair value rate base which is roughly the cost of projected year  
20 debt at 4.22%.

21 **Q. WHY IS THE COMPANY FILING FOR RATE INCREASES AT THIS**  
22 **TIME?**

23 **A.** The Company's last rate increase was approved on September, 2001 (Decision  
24 64008) using a test year ending December 31, 1999. Since that time, the  
25 Company has made significant investments in plant, and various operating  
26 expenses have increased. In the instant case, the Company proposes to include

1 \$5,857,411 as post test year plant. As I mentioned previously, this plant is  
2 necessary in order to meet capacity and storage requirements of the Arizona  
3 Department of Environmental Quality ("ADEQ") and to meet the new EPA  
4 arsenic standard. The Company proposes its rate base be adjusted to reflect this  
5 plant. The Company also proposes to include Rural Development grants (treated  
6 as contribution-in-aid of construction) in the amount of \$1,365,750 which is  
7 funding part of this plant. WIFA debt and Rural Development debt has also been  
8 pro formaed into the application along with depreciation related to this plant in to  
9 account for the effects on income. As the application demonstrates, rate increases  
10 are necessary to ensure that the Company has the ability to service debt as well as  
11 provide sufficient funds for on-going expense, purchase of a Central Arizona  
12 ("CAP") allocation and other expected capital requirements.

13 **Q. HAS THE COMPANY CONSIDERED ANY ALTERNATIVES FOR**  
14 **OBTAINING THE NECESSARY REVENUES FROM RATE PAYERS?**

15 A. Yes. One alternative would be to propose a debt service surcharge recovery  
16 mechanism similar to the arsenic recovery surcharge mechanism approved for  
17 Valley Utilities Water Company ("VUWCO") (Decision 68309, November 14,  
18 2005). However, The Company believes this is a less desirable alternative.  
19 First, while the plant is not yet complete as of this filing, it is expected to be  
20 complete by February of next year. The bulk of the plant upgrades is expected to  
21 be complete by October 2006. The cost and funding of the proposed post test year  
22 plant will be known and measurable before hearing in the instant case. Second, a  
23 debt recovery surcharge mechanism, as in the VUCO case, would consist of a flat  
24 monthly charge per customer and annual recalculation of the surcharge and annual  
25 reporting would be required.

26 **Q. IS THE COMPANY REQUESTING CHANGES IN OPERATING**

1           **EXPENSES RELATED TO THE POST TEST YEAR PLANT?**

2    A.    No.

3    **Q.    ARE OPERATING EXPENSES EXPECTED TO INCREASE AS THE**  
4    **RESULT OF THIS NEW PLANT?**

5    A.    No. The plant upgrades consist primarily of new wells, storage, booster stations  
6           and transmission mains to transport water through the system from the new wells.  
7           Changes to operating expenses are expected to be material. Gallons pumped from  
8           the new wells will be offset gallons pumped from existing wells.

9    **Q.    HAVE YOU PROPOSED ADJUSTMENTS FOR RETIREMENT OF THE**  
10   **WELLS REPLACED?**

11   A.    Yes. The proposed adjustments to rate base and the income statement account for  
12           retirement of the wells being replaced.

13   **III. SUMMARY OF A, E AND F SCHEDULES.**

14   **Q.    MR. BOURASSA, LET'S TURN TO THE COMPANY'S SCHEDULES.**  
15   **PLEASE DESCRIBE THE SCHEDULES LABELED AS A, E, AND F.**

16   A.    The A-1 Schedule is a summary of the rate base, operating income, current  
17           operating margin, required operating margin, operating income deficiency, and  
18           the increase in gross revenue. A 19 percent operating margin is requested.  
19           Revenues at present and proposed and customer classifications are also shown on  
20           this schedule.

21           The A-2 Schedule is a summary of results of operations for the test year,  
22           prior years, and a projected year at present rates and proposed rates.

23           Schedule A-3 contains the Company's capital structure for the test year and  
24           the two prior years.

25           Schedule A-4 contains the plant construction, and plant in service for the  
26           test year and prior years. The projected plant additions are also shown on this

1 schedule.

2 Schedule A-5 is the summary of the Company's changes in financial  
3 position (cash flow) for the prior two years, the test year at present rates, and a  
4 projected year at present and proposed rates.

5 The E Schedules are based on the Company's actual operating results, as  
6 reported by the Company in annual reports filed with the Commission. The E-1  
7 Schedule contains the comparative balance sheet data the years 2002, 2003, and  
8 2004.

9 Schedule E-2, page 1, contains the income statement for the years 2002,  
10 2003, and 2004.

11 Schedule E-3 contains the statements of changes in the Company's  
12 financial position for the test year and the two prior years.

13 Schedule E-4 provides the changes in membership equity.

14 Schedule E-5 contains the Company's plant in service at the end of the test  
15 year, and one year prior to the end of the test year.

16 Schedule E-7 contains operating statistics for the years ended August 31,  
17 2003, August 31, 2004, and August 31, 2005.

18 Schedule E-8 contains the taxes charged to operations.

19 The accountant's notes to the financial statements and the financial  
20 assumptions used in preparing the rate filing schedules are shown on Schedules E-  
21 9 and F-4, respectively, in accordance with the Commission's standard filing  
22 requirements. The Company does audited financial statements prepared. A copy  
23 of the latest audit report is attached.

24 Schedule F-1 contains the results of operations at the present rates (actual  
25 and adjusted), and at proposed rates.

26 Schedule F-2 contains the summary of changes in financial position (cash

1 flow) for the prior two years, the test year at present rates, and a projected year at  
2 present and proposed rates.

3 Schedule F-4 shows the Company's projected construction requirements  
4 for 2005, 2006, and 2007.

5 Schedule F-4 contains the assumptions used in developing the adjustments  
6 and projections contained in the rate filing.

7 **Q. WOULD YOU PLEASE DISCUSS THE D SCHEDULES?**

8 A. The D-1 schedule shows the summary membership equity and long-term debt.  
9 Since the Company is a non-profit co-operative, a cost of capital analysis has not  
10 been performed. The D-1 and D-2 schedules reflect the long-term debt necessary  
11 to finance the plant upgrades.

12 **IV. RATE BASE (B SCHEDULES).**

13 **Q. WOULD YOU EXPLAIN THE RATE BASE SCHEDULES, WHICH ARE**  
14 **LABELED AS THE B SCHEDULES?**

15 A. Yes. I will start with schedules B-5, which is the working capital allowance.  
16 The results produced by the "formula method" of computing the working capital  
17 allowance are shown on each.

18 **Q. PLEASE CONTINUE.**

19 A. The Company did not file schedule B-3 and B-4. The Company is requesting its  
20 original cost rate base ("OCRB") be used as its fair value rate base ("FVRB").

21 **Q. HAVE YOU PREPARED SCHEDULES SHOWING ADJUSTMENTS TO**  
22 **THE ORIGINAL COST RATE BASE?**

23 A. Yes. The schedule B-2, shows adjustments to the OCRB proposed by the  
24 Company.

25 Schedules B-2, pages 2 through 4 are the supporting schedules. These  
26 adjustments are, in summary:



1 Adjustment number 1 increases plant for the plant upgrades described  
2 below. This plant is expected to be completed by early 2007 and in the instant  
3 case is considered post test year plant.

4 **Q. IS THIS PLANT REVENUE NEUTRAL AND TO SERVE EXISTING**  
5 **CUSTOMERS?**

6 A. Yes. This plant is necessary to serve existing customers as of the end of the test  
7 year. The capacity upgrades relate to health and safety and in providing adequate  
8 water supplies to AWC customers. Water supplies are required no only to  
9 provide drinking water, but also for use in evaporative cooling of homes during  
10 summer months. Health and safety issues arise because the current AWC system  
11 does not meet the minimum engineering standards for source and storage as  
12 required by ADEQ. In addition, there are water quality concerns relating to the  
13 new arsenic standards. For further details, please see the Direct Testimony of Mr.  
14 Christopher Ward.

15 **Q. PLEASE CONTINUE.**

16 Adjustment number 1 reduces accumulated depreciation to the re-computed  
17 amounts per the Company's plant schedules.

18 **Q. DO THE PLANT AND ACCUMULATED DEPRECIATION SHOWN ON**  
19 **B-2 REFLECT THE LAST COMMISSION RATE ORDER?**

20 A. Yes. The plant shown on Schedule B-2 started with the Commission-determined  
21 plant from the last rate case. B-2 schedule, pages 3a through 3f show plant  
22 additions and retirements since the test year in that case have been added to and  
23 deducted from total plant shown on schedule B-2. B-2 schedule, page 3g, shows  
24 the computed accumulated depreciation balances by year since the last test year  
25 through then end of the test year in the instant case.

26 **Q. WHY WAS THERE A DIFFERENCE BETWEEN THE RECORDED**

1           **ACCUMULATED DEPRECIATION AT THE END OF THE TEST YEAR**  
2           **AND THE RECOMPUTED AMOUNT?**

3   A.    Because the Company incorrectly recorded an adjustment to accumulated  
4          depreciation from the prior rate case.

5   **Q.    PLEASE CONTINUE.**

6   A.    Adjustment number 3 increases contributions in aid of construction ("CIAC") for  
7          post test year plant funded by Rural Development grants.

8               Adjustment number 4 reduces plant-in-service and accumulated  
9          depreciation in order to reflect the retirement of wells which are to be replaced by  
10         the proposed post-test year plant.

11   **Q.    HOW WAS THE PROPOSED "FAIR VALUE" RATE BASE SHOWN ON**  
12         **A-1 DETERMINED?**

13   A.    The FVRB shown on Schedule A-1 is based on OCRB.

14   **V. INCOME STATEMENT (C SCHEDULES).**

15   **Q.    LET'S MOVE ON TO THE C SCHEDULES. PLEASE EXPLAIN THE**  
16         **ADJUSTMENTS YOU ARE PROPOSING TO THE INCOME**  
17         **STATEMENT AS SHOWN ON SCHEDULES C-1 AND C-2.**

18   A.    The following is a summary of adjustments for Schedule C-1:

19               Adjustment 1 annualizes depreciation expense. This adjustment includes a  
20          reduction to depreciation expense for retired wells and pumping equipment. The  
21          depreciation rates approved in the prior rate case was based on individual rates by  
22          asset class. The Company does not propose changes to these rates. The proposed  
23          depreciation expense includes depreciation on post test year plant.

24               Adjustment 2 increases the property taxes based on proposed revenues.  
25          The Company has recognized the recently passed Arizona legislation (H.B. 2779)  
26          now codified in A.R.S. § 42-15001, entitled "Assessed Valuation of Class One

1 Property"). The law reduces the assessment ratio ½ percent for the next ten years  
2 starting in 2006. The Company has proposed a three year reduction in the  
3 assessment ratio or a reduction from 25 percent to 23.5 percent.

4 **Q. HOW DID YOU COMPUTE THE PROPERTY TAXES AT PROPOSED**  
5 **RATES?**

6 A. To determine full cash value, I used the method employed by the Arizona  
7 Department of Revenue - Centrally Valued Properties ("ADOR" or "the  
8 Department"). This method determines full cash value by using twice the average  
9 of three years of revenue, plus an addition for CWIP and a deduction for the book  
10 value of transportation equipment. In the instant case, I used two times the  
11 adjusted revenues for 2005, and revenues at proposed rates. The assessed value  
12 (23.5 percent of full cash value) was then multiplied by the property tax rate to  
13 determined adjusted property tax expense.

14 **Q. IS THIS SYNCHRONIZATION OF PROPERTY TAX EXPENSE WITH**  
15 **REVENUES PROPER RATE MAKING?**

16 A. Yes. Like income taxes, property taxes must be adjusted to ensure that the new  
17 rates are sufficient to produce the authorized return on rate base. For this reason,  
18 the Commission has repeatedly utilized proposed revenue increases to determine  
19 an appropriate level of property tax expense to be recovered through rates.

20 **Q. IS THIS CONSISTENT WITH PRIOR COMMISSION DECISIONS?**

21 A. Yes. E.g., Chaparral City Water Company, Decision No. 68176 (September 30,  
22 2005); Rio Rico Utilities, Decision No. 67279 at 8; Arizona Water Company,  
23 Decision No. 64282 at 12-13; Bella Vista Water Company, Decision No. 65350 at  
24 16; Arizona-American Water Company, Decision No. 67093 at 9-10. In fact, the  
25 methodology is consistent with these decisions where two years of adjusted test  
26 year revenues and one year of proposed revenues were used to determine full cash

1 value. In the Arizona-American Water Company rate proceeding (Decision  
2 67093), the Commission concluded that "Staff calculated property taxes using its  
3 proposed adjusted test year revenues twice and its recommended revenues once to  
4 calculate a three year average of revenues. We agree with Staff that using only  
5 historical revenues to calculate property taxes to include in the cost of service fails  
6 to capture the effects of future revenue from new rates, and can result in an  
7 understatement or overstatement of property tax expense." Decision 67093 at 9-  
8 10.

9 **Q. MR. BOURASSA, ISN'T THERE A LAG FROM THE TIME NEW RATES**  
10 **CHARGED CUSTOMERS GO INTO EFFECT AND THE DATE ON**  
11 **WHICH PROPERTY TAXES ARE ACTUALLY PAID?**

12 A. Yes. As an example, if new rates for the Company went into effect on January 1,  
13 2007, property taxes based on these new rates would first appear on the property  
14 tax bill received in September 2008. However, the Company should be accruing  
15 property taxes to match the revenues collected. Thus, there is no mismatch  
16 between revenues and expenses. Moreover, the property taxes resulting from my  
17 calculation are based on only a portion of proposed revenues. To properly  
18 consider the future impact of the rate increases, I should have computed the  
19 proposed property taxes based only on proposed revenues rather than averaging  
20 proposed and historic revenues. Consequently, this adjustment is conservative.

21 **Q. PLEASE CONTINUE WITH YOUR DESCRIPTION OF THE INCOME**  
22 **STATEMENT ADJUSTMENTS.**

23 A. Adjustment 3 shows the rate case expense. Rate case expense is estimated to be  
24 \$75,000. The Company is proposing to amortize rate case expense over three  
25 years. The impact on the test year is \$25,000.

26 **Q. DO YOU BELIEVE THIS IS A REASONABLE AMOUNT OF RATE CASE**

1           **EXPENSE GIVEN THE REQUESTED INCREASE IN REVENUE?**

2    A.    Yes. Factors that influence rate case expense include the nature and requirements  
3           of the Commission's ratemaking process and the number of parties, issues and  
4           complexity of the proceedings.

5    **Q.    PLEASE DISCUSS THESE FACTORS?**

6    A.    The Company cannot raise its rates except by filing for rate relief and the  
7           Commission dictates the process for obtaining rate relief. The Company, with  
8           roughly 2,529 customers, is a Class B utility and has to file the same schedules as  
9           a Class A (i.e., APS, Arizona Water, SW Gas) utility with hundreds of thousands  
10          of customers. In addition to the filing and notice requirements imposed by the  
11          Commission, the Company must prepare three rounds of pre-filed testimony,  
12          participate in all of the procedural and evidentiary hearings and open meetings,  
13          and file closing briefs.

14                 The number of parties also has a substantial impact on rate case expense.  
15          Customers and other interveners add to rate case expense and the complexity of  
16          the proceedings. The number and complexity of disputed issues also influences  
17          total rate case expense, and those impacts cannot be known until the case  
18          proceeds.

19   **Q.    IS THIS WHY YOU REFERRED TO THE RATE CASE EXPENSE AS AN**  
20   **ESTIMATE?**

21   A.    Yes, and I can only consider the foreseeable. If things turn out more complicated  
22          than anticipated, if there are interveners, the Company will modify its request to  
23          account for that increased expense. Conversely, if the case proceeds and rate case  
24          expense is lower than expected, we would make an appropriate adjustment  
25          downward.

26   **Q.    SHOULDN'T THE COMPANY BEAR SOME OF THE BURDEN OF**

1           **RATE CASE EXPENSE?**

2   A.    As a practical matter, the utility always does. My estimate of \$75,000 assumes  
3       the Company will actually incur a higher amount of total rate case expense. I  
4       would also agree that if the utility does something improper, or advances positions  
5       in bad-faith, it should shoulder the burden of such actions. But, as I testified, the  
6       Commission dictates the process, not the utility and absent such circumstances,  
7       the utility must be allowed to recover its reasonably incurred rate case expense.

8   **Q.    WHY IS THE COMPANY PROPOSING TO USE A THREE-YEAR**  
9       **AMORTIZATION PERIOD?**

10   A.   This is approximately the time period the Company expects to file another case.

11   **Q.    PLEASE CONTINUE.**

12       Adjustment 4 annualizes revenues to the year-end number of customers for each  
13       meter size. This adjustment is intended to increase revenues on the basis that the  
14       number of customers at year end were receiving service during the entire 12  
15       months of the test year. The annualization was based on the number of customers  
16       at the end of the test year, compared to the actual number of customers on each  
17       size meter during each month of the test year. Average revenues by month were  
18       computed for the test year for each meter size. The average revenues were then  
19       multiplied by the increase (or decrease) in number of customers for each month of  
20       the test year. Customer growth during the test year was less than 25 customers.

21               Adjustment 5 increases interest expense to reflect the interest on the WIFA  
22       and RD loans used to fund the aforementioned plant upgrades.

23               Adjustment 6 annualizes purchased power costs based on the additional  
24       gallons sold by annualizing revenues to the year-end number of customers.

25   **Q.    HAS THE COMPANY REQUESTED OPERATING COSTS AND**  
26       **PURCHASED WATER COSTS IN THE INSTANT CASE?**

1 A. No. The Company has not requested operating costs associated with the plant  
2 upgrades. Further, the Company expects its purchase of CAP allocation  
3 sometime in 2007 to cost \$575,000. These costs are also not included in operating  
4 expenses in the instant case. However, the Company believes expenditures for  
5 CAP water are prudent and necessary for its the long-term water supply needs.

6 **Q. DOESN'T THE COMPANY HAVE A CAP PURCHASED WATER**  
7 **ADJUSTER?**

8 A. Yes. The adjuster is designed to cover annual M&I costs plus delivery charges in  
9 addition to 1/25 of the cost to acquire the CAP allocation. Thus, the Company  
10 will recover the CAP allocation costing \$575,000 over a period of 25 years.  
11 However, the Company will need the funds by 2007 for the initial CAP allocation  
12 acquisition.

13 **Q. ARE THERE OTHER FACTORS WHICH SHOULD BE CONSIDERED IN**  
14 **THIS CASE?**

15 A. Yes. The Company is self-insured. This requires the Company to maintain cash  
16 reserves of at least \$290,000. The proposed revenue requirement will help the  
17 Company maintain necessary cash reserves. For further details, see the Direct  
18 Testimony of Christopher Ward.

19 **VI. RATE DESIGN (H SCHEDULES).**

20 **Q. WHAT ARE THE COMPANY'S PRESENT RATES?**

21 A.	Meter	Monthly	Gallons included
22	<u>Size</u>	<u>Minimum</u>	<u>in Monthly Minimum</u>
23	5/8	\$ 22.90	0
24	3/4	\$ 22.90	0
25	1	\$ 57.25	0

26

1	1 1/2	\$ 114.50	0
2	2	\$ 183.20	0
3	3	\$ 366.40	0
4	4	\$ 572.50	0
5	6	\$1,145.00	0

The commodity charges and tiers by meter size are:

7	<u>Meter</u>		<u>Charge</u>
8	<u>Size</u>	<u>Tier (gallons)</u>	<u>per 1,000 gallons</u>
9	All meter sizes	1 to 10,000	\$ 1.73
10		10,001 to 18,000	\$ 1.87
11		Over 18,000	\$ 1.94

The standpipe service or bulk rate has no minimum charge but follows the commodity rates specified above.

**Q. WHAT ARE THE COMPANY'S PROPOSED RATES?**

A. The proposed rates for customers with using a water meter size of:

16	<u>Meter</u>	<u>Monthly</u>	<u>Gallons included</u>
17	<u>Size</u>	<u>Minimum</u>	<u>in Monthly Minimum</u>
18			
19	5/8	\$ 28.29	0
20	3/4	\$ 42.44	0
21	1	\$ 70.73	0
22	1 1/2	\$ 141.46	0
23	2	\$ 226.34	0
24	3	\$ 452.69	0
25	4	\$ 707.32	0
26	6	\$ 1,414.65	0



The commodity charges and tiers by meter size are:

<u>Meter Size</u>	<u>Tier (gallons)</u>	<u>Charge per 1,000 gallons</u>
5/8 and 3/4 Inch	1 to 8,500	\$ 2.20
	8,501 to 16,500	\$ 2.35
	Over 16,500	\$ 2.50
1 Inch and larger	1 to 20,000	\$ 2.20
	20,001 to 40,000	\$ 2.35
	Over 40,000	\$ 2.50

The proposed standpipe rate and bulk water rate is \$4.00 per 1,000 gallons with no minimum monthly charge.

**Q. DID YOU PREPARE A COST OF SERVICE STUDY TO DERIVE THE MONTHLY MINIMUMS AND COMMODITY RATES?**

A. No. The monthly minimums are based on the rates from the prior rate case increased by the same percentage for all meter sizes. The percentage increase applied to the monthly minimums is less than that applied to the commodity rates. In the prior rate case the monthly minimums were scaled based on the flows from a 5/8 inch meter, except for the 3/4 inch meters which was set at the same rate as the 5/8 inch meter. In the instant case, the Company proposes to scale the 3/4 inch meter to be consistent with the scaling on the other meter sizes. Simply due to the scaling, the 3/4 inch metered customers will see the greatest increase.

**Q. HOW MANY 3/4 INCH METERED CUSTOMERS ARE AFFECTED?**

A. Eight.

1 **Q. WOULD A COST OF SERVICE STUDY DETERMINE THE**  
2 **COMMODITY RATES, IF THE COMMODITY RATES ARE**  
3 **INVERTED, THAT IS THE CHARGE PER 1,000 GALLONS**  
4 **INCREASES AS MORE WATER IS USED?**

5 A. No. A cost of service study will determine the revenues that should be collected  
6 from monthly minimum charges and the revenues that should be collected from  
7 the rates charged for the commodity. Inverted rates for the commodity charge  
8 are not justified through a cost of service study. The exception being if the cost  
9 of service study is prepared based on incremental plant investment. Inverted  
10 rates are really to encourage conservation. The Company's existing rate  
11 structure has inverted commodity rates.

12 **Q. ARE THE TIERS FOR THE COMMODITY RATES THE SAME FOR**  
13 **EACH SIZE METER? IF NOT, WOULD YOU PLEASE EXPLAIN WHY**  
14 **THE TIERS ARE DIFFERENT?**

15 A. No, the commodity rate tiers are different for 5/8 inch and 3/4 inch, and 1 inch  
16 and larger meters. The monthly minimum charges are higher for meters larger  
17 than 5/8 inch. The monthly minimums are supposed to reflect the demand that  
18 customers with larger meters place on the system. A customer on a meter size  
19 larger than 5/8 inch, is already paying for his or her higher demand. Thus, the  
20 commodity rate tiers should reflect the higher monthly minimums already being  
21 paid. To achieve the balance for higher monthly minimums, customers on larger  
22 sized meters should have more gallons in each rate tier.

23 **Q. WHAT ARE THE TIERS FOR EACH METER SIZE, AND HOW ARE**  
24 **THEY COMPUTED?**

25 A. The first commodity rate tier is computed on monthly average usage for the 5/8  
26 inch meter size. The monthly average for 5/8 inch meter is approximately 9,825

1 gallons. I set the first tier for the 5/8 inch and 3/4 inch meters at 8,500 gallons,  
2 which is below the average residential average usage for the 5/8 inch metered  
3 customers. The first tier for a 1 inch meter and larger meters is 20,000 gallons.  
4 A one inch meter flows two and one half times that of a 5/8 inch meter.

5 I set the second tier for the 5/8 inch meter at 20,000 gallons, which is  
6 somewhat less than two and one half times the first tier. I set the second tier for  
7 1 inch meters and larger at 40,000 gallons, or two times the first tier gallons.

8 **Q. WHAT IS THE IMPORTANCE OF THE COMMODITY RATES, AND**  
9 **HOW DID YOU COMPUTE THEM?**

10 A. The first goal of commodity rates should be to generate the revenue requirement.  
11 Thus, commodity rates are very important. The second goal of the commodity  
12 rates should be that they are understandable by customers. The third goal of the  
13 commodity rates is to give customers a price signal to encourage water usage  
14 conservation.

15 The first commodity tier rate is the most important, as all customers will  
16 be charged this rate. Here, I set the commodity rate at \$2.20, or approximately  
17 27.17% higher than the existing commodity rate of \$1.73. For the commodity  
18 tier two, I increased the first tier commodity rate of \$2.20 per 1,000 gallons by  
19 \$0.15 to \$2.35 per 1,000 gallons, or approximately 35.84% over the \$1.73 first  
20 tier commodity rate. For the commodity tier three, I increased the second tier  
21 charge o \$2.35 per 1,000 gallons by \$0.15 to \$2.50 per 1,000 gallons, or  
22 approximately 44.51% over the existing \$1.73 first tier commodity rate.

23 **Q. WHY IS THE COMPANY PROPOSING THIS RATE DESIGN?**

24 A. The Company choose this rate design, in part, to further encourage water  
25 conservation, maintain revenue stability, and to distribute the rate increase to all  
26 meter sizes as equitably as possible. Adverse impact of inverted block rates on

1 large volume customers, particularly the 1 ½ inch and 2 inch customers, was an  
2 essential consideration. Inverted block rates can have a significant financial  
3 impact on these customers and the impact should be understood and the possible  
4 reactions from these customers. Of particular concern was the local nursery.  
5 This customer has a 1 ½ inch meter and a 2 inch meter and uses large volumes  
6 of water. The annual revenue for this customer is over \$30,000 per year under  
7 present rates and over \$40,000 per year under proposed rates. The Company  
8 does not want this customer to develop their own, less expensive water supplies.  
9 The loss of this customer would be significant. For further details, see the  
10 Direct Testimony of Christopher Ward.

11 The Company also believes setting a low first tier, at say 4,000 to 5,000  
12 gallons, is not warranted. The Company serves a rural community and many  
13 customers have livestock and employ evaporative cooling systems during the hot  
14 summer months. The Company believes the minimum amount of non-  
15 discretionary water is higher than in a typical urban or high density community.  
16 The Company believes setting the first tier to 8,500 gallons for the 5/8 inch and  
17 ¾ inch meters, which is lower than the current level of 10,000 gallons, further  
18 promotes conservation. Approximately 69% of bills for the 5/8 inch meters are  
19 at or below 10,000 gallons. Under the proposed rates, approximately 54% of  
20 bills will be at or below 8,500 gallons.

21 The Company also believes using a different rate block structure for the 1  
22 inch and larger meter helps achieve more equitable results.

23 **Q. WHAT IS THE RATE IMPACT ON RESIDENTIAL CUSTOMERS**  
24 **USING THE MONTHLY AVERAGE WATER USAGE?**  
25  
26

1 A. Customers on 5/8 meters who consume the average quantity of water (9,825  
2 gallons per month) will experience a rate increase of \$10.21 per month, or an  
3 increase of approximately 25.59 percent.

4 **Q. WHAT IS THE RATE IMPACT ON THE 1 1/2 INCH AND 2 INCH**  
5 **CUSTOMERS USING THE MONTHLY AVERAGE WATER USAGE?**

6 A. Customers on 1 1/2 inch meters who consume the average quantity of water  
7 (144,861 gallons per month) will experience a rate increase of \$101.75 per  
8 month, or an increase of approximately 25.90 percent.

9 Customers on 2 inch meters who consume the average quantity of water  
10 (290,792 gallons per month) will experience a rate increase of \$199.65 per  
11 month, or an increase of approximately 26.81 percent.

12 **Q. IS THE COMPANY REQUESTING ANY OTHER CHANGES IN ITS**  
13 **RATES AND TARIFFS?**

14 A. Yes. The Company currently has a master metering/multiple dwellings  
15 provision in its tariff which applies to 5/8 inch metered customers. The  
16 Company proposes this provision be modified to apply to all size meters.

17 **Q. WHY IS THIS NECESSARY?**

18 A. The Company wishes to prevent customers from changing to a larger meter in  
19 order to circumvent the current provision.

20 **Q. ARE THERE ANY OTHER CHANGES?**

21 A. Yes. The Company is requesting additional tariffs for the following:

<u>Description</u>	<u>Proposed Charge</u>
Meter installation tampering	Cost
Hourly charge for after hours service	Cost
Disconnection Charge (Customer Req)	\$20.00
Emergency Service Not Caused	

1  
2  
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By Company	Cost
Fire Sprinkler Rate	1% of monthly minimum for a comparable meter size or \$7.00 per month minimum.
Water Line Crossing Paved Road	Customer Expense

**Q. HAS THE COMPANY FILED A FORM OF TARIFF IN THIS APPLICATION?**

A. Yes, it has. It is attached to the Application as Exhibit 4.

**Q. IS THAT TARIFF IN A FORM SIMILAR TO THE TARIFF PREVIOUSLY APPROVED BY THE COMMISSION FOR THIS COMPANY?**

A. Yes it is.

**Q. DOES THE COMPANY SPECIFICALLY REQUEST THAT THE COMMISSION APPROVE THE FORM OF THAT TARIFF?**

A. Yes. When the Tariff is filed as a compliance item with the approved rates and charges, the Company would like to have the form pre-approved so that there is no confusion between the Staff and the Company as to what the Commission desires in that Tariff.

**Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

A. Yes.



**AVRA WATER CO-OP, INC.**

DOCKET W-02126

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# TARIFF

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Issued \_\_\_\_\_

ISSUED BY:

Effective \_\_\_\_\_

Chris Ward, General Manager  
Avra Water Co-Op, Inc.  
11821 Picture Rock Road  
Tucson, Arizona 85743

12002.00000.114

**EXHIBIT D**



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Applies to all **WATER** service areas

**PART ONE**  
**STATEMENT OF CHARGES**  
**WATER SERVICE**

**I. RATES**

In Opinion and Order No. 64008, dated September 4, 2001, the Commission approved the following rates and charges to become effective with September 1, 2001 usage.

<u>Meter Size</u> Inches	Usage Included in <u>Minimum Charge</u> Gallons	Minimum <u>Charge</u> Per Month
<b>A. General Service</b>		
5/8" x 3/4" Meter	-0-	22.90
3/4" Meter	-0-	22.90
1" Meter	-0-	57.25
1 1/2" Meter	-0-	114.50
2" Meter	-0-	183.20
3" Meter	-0-	366.40
4" Meter	-0-	572.50
6" Meter	-0-	1,145.00
<u>Tier</u>		<u>Per 1,000</u>
1 – 10,000 Gallons		1.73
10,001 – 18,000 Gallons		1.87
18,001 – over		1.94

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11821 Picture Rock Road  
Tucson, Arizona 85743

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Cancelling Sheet No.

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Applies to all WATER service areas

**PART ONE**  
**STATEMENT OF CHARGES**  
**WATER SERVICE**

**B. Standpipe Service<sup>1</sup>**

Any Meters

-0-

N/A

ALL STANDPIPE SERVICE SHALL BE METERED. IF AN ACCOUNT HAS NOT BEEN ESTABLISHED WITH THE COMPANY BY THE CUSTOMER, PAYMENT FOR STANDPIPE WATER SHALL BE PAID UPON DELIVERY. THE RATE FOR ALL USE FOR ALL METERS SHALL BE AS FOLLOWS:

<u>Tier</u>	<u>Per 1,000</u>
1 – 10,000 Gallons	1.73
10,001 – 18,000 Gallons	1.87
18,001 – over	1.94

**C. Central Arizona Project Purchased Water Adjuster Tariff**

1. In addition to all other rates and charges contained in this Tariff, the Company shall collect a surcharge on all water sold to customers, based on the computation of the annual cost of Central Arizona Project Water ("CAP") water Municipal and Industrial ("M&I") charges net of any credits.

---

<sup>1</sup> Service available only at Company designated standpipe locations. Standpipe water service shall be available only to the extent water is not required by permanent customers within the certificated area. The Company reserves the right to require that all water delivered under this tariff shall be used within the certificated area of the Company. Company will attempt to provide 24 hour notice of cessation of standpipe service.

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Issued \_\_\_\_\_

Effective \_\_\_\_\_

ISSUED BY:

Chris Ward, General Manager  
Avra Water Co-Op, Inc.  
11821 Picture Rock Road  
Tucson, Arizona 85743

DOCKET W-02126

Cancelling Sheet No.

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Applies to all **WATER** service areas

**PART ONE**  
**STATEMENT OF CHARGES**  
**WATER SERVICE**

2. Computation of CAP M&I Costs. The annual cost shall be computed based on M&I charges billed by the Central Arizona Water Conservation District ("CAWCD").

The surcharge shall be computed based on the total CAP M&I charges divided by the prior year's water sales, expressed in thousands (1,000's) of gallons.

For computing the Surcharge per 1,000 gallons, the computation will include the CAP M&I charges plus or minus the under or over collected Bank Balance, divided by the water sales in thousands for the year ended August 31.

3. Bank Balance. The Company shall maintain a bank balance account which includes the funds collected from customers, less all funds expended for CAP M&I costs. The difference between the cost of CAP water purchased and the collections from customers will constitute the bank balance.

4. Reporting Requirements. The Company shall file an Annual Report with the Commission that is based on the funds expended and collected for the year ended August 31. The Report shall be filed by November 30 of each year.

The Report shall include next year's actual CAP M&I costs, and an adjustor rate to be charged to customers. The CAP adjustor rate will include any over or under collection that exist in the bank balance as of August 31.

The Annual Report will be filed with supporting work papers. The Report shall be supplemented with a computer diskette which contains the computations

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Applies to all **WATER** service areas

of the CAP costs and credits, and collections from customers. The Company will also furnish invoices for all CAP M&I related costs.

5. Notice. Prior to initial implementation of the Adjustment, the Company shall submit to the Director of the Utilities Division of the Commission, for the Director's approval, the Report contemplated in Paragraph 4, above, and the completed computation sheet. Said filing shall be no less than 60 days prior to the proposed implementation. Following the Director's approval, the Company shall provide Notice to the rate payers of the change in the surcharge level no less than 30 days notice before the effective date.

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**II. TAXES AND ASSESSMENTS**

In addition to all other rates and charges authorized herein, the Company shall collect from its customers all applicable sales, transaction, privilege, regulatory or other taxes and assessments as may apply now or in the future, per Rule R14-2-409(D)(5).

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**PART ONE****STATEMENT OF CHARGES**  
**WATER SERVICE****III. ADDITIONAL CHARGES**

A.	Establishment of Service per Rule R14-2-403D (new customer charge, in addition to F, L, M and N below)	\$ 25.00
1.	If after hours	\$ 50.00
B.	Re-establishment of Service per Rule R14-2-403D (same customer, same location within 12 months)	Note <sup>2</sup>
C.	Reconnection of Service per Rule R14-2-403D (Delinquent)	\$ 50.00
1.	If after hours	\$ 75.00
D.	Charge for moving meter at customer request per Rule R14-2-405B	Cost <sup>3</sup>
E.	Master Metering/Multiple Dwellings	Note <sup>4</sup>

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<sup>2</sup> Per month charge times number of months off system.

<sup>3</sup> See Sheet No. 14.

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F.	Minimum Deposit Requirement per Rule R14-2-403B	
	1. Residential customer	(2 times estimated average monthly bill)
	2. Non residential customer	(2-1/2 times estimated maximum monthly bill)
	3. Deposit Interest	6.0%
G.	Meter test per Rule R14-2-408F (Calibration or Leak Detection)	\$ 50.00
	Remove Meter and Test	\$ 35.00
	If correct	-0-
H.	Meter Reread per Rule R14-2-408C (If correct)	-0-
I.	Charge for NSF Check per Rule R14-2-409F	\$ 25.00
J.	Deferred Payment Finance Charge, per month	Note <sup>5</sup>
K.	Late Payment Charge, Per Month	Note <sup>5 6 7</sup>

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<sup>4</sup> See Part One Section V, "Conditions Concerning Master Metering/Multiple Dwellings" on Sheet No. 15.

<sup>5</sup> Greater of \$5.00 or 1.50% per month of unpaid balance.

<sup>6</sup> This charge shall not apply if the customer has arranged for a Deferred Payment Plan.

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**WATER SERVICE****L. Service Line Tariff and Meter Advance Policy,  
Refundable per Rule R14-2-405B:**

5/8" x 3/4" Meter	410.00
3/4" Meter	455.00
1" Meter	520.00
1 1/2" Meter	740.00
2" Turbo Meter	1,235.00
2" Compound Meter	1,800.00
3" Turbo Meter	1,705.00
3" Compound Meter	2,340.00
4" Turbo Meter	2,700.00
4" Compound Meter	3,405.00
6" Turbo Meter	5,035.00
6" Compound Meter	6,510.00

**M. Main Extension Tariff, per Rule R14-2-406B****Cost<sup>8</sup>**

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<sup>7</sup> Bills for utility services are due and payable when rendered. Any payment not received within fifteen (15) days from the date the bill was rendered shall be considered delinquent and subject to the termination policy set forth in the Company's rate tariff. All late payment penalties shall be billed on the customer's next regularly scheduled billing. If the customer fails to pay the late payment penalty by the due date on the next billing, the customer will receive a ten (10) day termination notice. If the customer does not pay the late payment penalty by that date the service will be terminated. Service shall be terminated only for that service for which the customer is delinquent or is in violation. All customers whose service is terminated for failure to pay the late payment penalty are subject to the Company's reconnection charges set forth in the Company's tariff.

<sup>8</sup> See Sheet No. 14.

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N. Off-Site Facilities Hook-Up Fee

1. Purpose and Applicability

The purpose of the hook-up fees payable to Avra Water Co-op, Inc. ("the Company") pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, storage, pressure and fire flow among all new service connections.

These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

2. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's rules and regulations governing water utilities shall apply in interpreting, this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means Avra Water Co-op Inc., an Arizona corporation.

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"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including, engineering and design costs. Off-Site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant and these facilities will benefit the entire water system.

"Service Connection" means and includes all service connections for residential, commercial, industrial, or other uses, regardless of meter size.

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3. Off-Site Hook-Up Charges

Each new service connection shall pay the total off-site capacity charge, derived from the following table:

<b>OFF-SITE CAPACITY RESERVATION CHARGE TABLE</b>		
<b>Meter Size</b>	<b>NARUC Meter Factor</b>	<b>Fee</b>
5/8" X 3/4"	1	\$ 1,875
3/4"	1.2	\$ 2,250
1"	2	\$3,750
1 - 1/2"	4	\$7,500
2"	6.4	\$12,000
3"	12	\$22,500
4"	20	\$37,500
6" or larger	40	\$75,000

4. Terms and Conditions

- (a.) Assessment of One Time Hook-Up Charge: The hook-up fee may be assessed only once per service connection, or lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.

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- (b.) Use of Off-Site Hook-Up Fee: Hook-Up fees may only be used to pay for the capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off site hook-up fees shall not be used for repairs, maintenance, plant replacements, or operational purposes.
- (c.) Time of Payment:
- (1) In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406 (B), payment of the charges required hereunder shall be made by the Applicant within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the main extension agreement in accordance with R14-2-406(M).
- (2) In the event that the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.
- (d.) Failure to Pay Charges, Delinquent Payments: - Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this off-site hook-up fee tariff.

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- (e.) Off-Site Hook-Up Fee Non-refundable: - The amounts collected by the Company pursuant to the off-site hook-up fee shall be non-refundable contributions in aid of construction.
- (f.) Use of Charges Received: All funds collected by the Company as off-site hook-up fees, shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.
- (g.) Off-Site Hook-Up Fees In Addition to Other Charges: The off-site hook-up fees shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.
- (h.) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fee or the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission (Commission), any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- (i.) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were generally provided or estimated in the June 2000 Master Plan by Westland Resources, the Company may require the Applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

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**IV. PERMITTED COSTS**

- A. Costs shall be verified by invoice.
- B. For services that are provided by the Company at costs, cost shall include labor, materials, other charges incurred, and overhead not to exceed 10%. However, prior to any such service being provided, the estimated cost of such service will be provided by the Company to the customer. After review of the cost estimate, the customer will pay the amount of the estimated cost to the Company.
- C. In the event that the actual cost is less than the estimated cost, the Company will refund the excess to the customer within 30 days after completion of the provision of the service or after Company's receipt of invoices, timesheets or other related documents, whichever is later.
- D. In the event the actual cost is more than the estimated cost, the Company will bill the customer for the amount due within 30 days after completion of the provision of the service or after the Company's receipt of invoices, timesheets or other related documents, whichever is later. The amount so billed will be due and payable 30 days after the invoice date. However, if the actual cost is more than five percent (5%) greater than the total amount paid, the customer will only be required to pay five percent (5%) more than the total amount paid, unless the Company can demonstrate that the increased costs were beyond its control and could not be foreseen at the time the estimate for the total amount paid was made.

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E. At the customer's request, the Company shall make available to the customer all invoices, timesheets or related documents that support the cost for providing such service.

F. Permitted costs shall include any State or Federal income taxes that are or may be payable by the Company as a result of any tariff or contract for water facilities under which the Customer advances or contributes funds or facilities to the Company.

**V. CONDITIONS CONCERNING MASTER METERING/MULTIPLE DWELLINGS**

Multiple Dwellings on one 5/8 x 3/4 residential meter: All dwellings, beyond direct connection which cross property lines, will be charged 100 percent of monthly minimum, and/or are required to have their own meter. If the 5/8 x 3/4 residential meter serves more than one dwelling on the same property, the second connection and each additional connection shall each pay 50% of monthly minimum for 5/8 x 3/4 inch meter. Responsibility for payment remains with master meter customer. For larger meter sizes, the meter and service line shall be sized or resized in accordance with the Uniform Plumbing Code, or the American Water Works Association Manual of Water Supply Practices Number 22, "Sizing Water Service Lines and Meters", or in accordance with good engineering practice.

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Whenever a meter is moved at a customer's request or becomes necessary due to actions of the customer (e.g. lot lines are changed, land is subdivided or transferred), then the customer shall be charged the cost incurred by Avra Water Co-Op in moving the meter. In the event the meter and service lines must be relocated to comply with the rules of the Commission (e.g. to place the meter on the customer property), then the customer of record whose service is no longer in compliance with the Commission rules shall be charged the cost incurred by the co-op in moving the meter. The cost shall include the cost of any main line extension, labor, materials, engineering, document preparation, overhead, applicable taxes, surcharges, permit fees, or special assessments that are or maybe imposed by any governmental agency. Disregard or non-compliance with its Tariff shall be sufficient cause for refusal or disconnection of service. However, existing customers will be given twelve (12) months to pay said costs.

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**PART TWO**

**STATEMENT OF TERMS AND CONDITIONS**  
**WATER SERVICE**

**I. CROSS-CONNECTION CONTROL**

**A. Purpose.**

To protect the public water supply in the Company's water supply in the Company's water system from the possibility of contamination caused by backflow through unprotected cross-connections by requiring the installation and periodic testing of backflow-prevention assemblies pursuant to the provisions of the Arizona Administrative Code, Title 14, Chapter 2, Section 405.B.6 as adopted by the Arizona Corporation Commission, and Title 18, Chapter 4, Section 115, as adopted by the Arizona Department of Environmental Quality, as those regulations may be revised from time to time.

**B. Inspections.**

The customers shall cooperate fully with the Company in its efforts to investigate and determine the degree of potential health hazard to the public water supply which may result from conditions existing on the customer's premises.

**C. Requirements.**

In compliance with the Rules and Regulations of the Arizona Corporation Commission and the Arizona Department of Environmental Quality, specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-115 relating to backflow prevention:

1. The Company may require a customer to pay for and have installed, maintain, test and repair a backflow-prevention assembly if A.A.C. R18-4-115.B or C applies.

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2. A backflow-prevention assembly required to be installed by the customer under this tariff shall comply with the requirements set forth in A.A.C. R18-4-115.D and E.
3. The Company shall give any customer who is required to install and/or test a backflow-prevention assembly written notice of said requirement. If A.A.C. R14-2-410.B.1.a. is not applicable, the customer shall be given thirty (30) days in which to comply with this notice. If the customer can show good cause as to why he cannot install the device within thirty (30) days, the Company or the Arizona Corporation Commission Staff may grant additional time for this requirement.
4. Testing shall be in conformance with the requirements of A.A.C. R18-4-115.F. The Company shall not require an unreasonable number of tests.
5. The customer shall provide the Company with records of installation and testing. For each backflow-prevention assembly, these records shall include:
  - a. assembly identification number and description;
  - b. location;
  - c. date(s) of test(s);
  - d. description of repairs made by tester; and
  - e. tester's name and certificate number.

**D. Discontinuance of Service.**

In accordance with A.A.C. R14-2-407 and 410 and provisions of this tariff, the Company may terminate service or deny service to a customer who fails to install and/or test a backflow-prevention assembly as required by this tariff.

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1. In the event the backflow-prevention assembly has not been installed or fails any test and A.A.C. R14-2-410.B.1.a. is applicable, the Company may terminate service immediately and without notice. The backflow-prevention assembly shall be installed and repaired by the customer and retested before service is restored.

2. In the event the backflow-prevention assembly has not been installed or fails any test and A.A.C. R14-2-410.B.1.a. is not applicable, the backflow-prevention assembly shall be installed and/or repaired by the customer and tested within fourteen (14) days of written notice by the Company. Failure to install or to remedy the deficiency or dysfunction of the assembly, or failure to retest shall be grounds for termination of water utility service in accordance with A.A.C. R14-2-410.

**II. INTERRUPTIBLE SERVICE; COMPANY'S LIABILITY  
LIMITATIONS**

The Company will supply only such water at such pressures as may be available from time to time as a result of the normal operation of its water system. The Company will maintain a minimum water pressure of 20 p.s.i. and will not guarantee a specific gallons per minute flow rate at any public fire hydrant or fire sprinkler service. In the event service is interrupted, irregular or defective, or fails from causes beyond the Company's control or through ordinary negligence of its employees or agents, the Company will not be liable for any injuries or damages arising therefrom.

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**PART TWO**

**STATEMENT OF TERMS AND CONDITIONS**  
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**IV. RULES AND REGULATIONS**

The Company has adopted the Rules and Regulations established by the Commission as the basis for its operating procedures. A.A.C. R14-2-401 through A.A.C. R14-2-411 will be controlling of Company procedures, unless specific Commission Order(s) provide otherwise.

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